

Neither Market nor State Domain: Nonprofits From the Ostroms' Theoretical Perspective

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Abstract

This article explores the Ostroms' perspective on nonprofit enterprises and on the place of the "third sector" within the broader ecology of governmental, for-profit, and nonprofit forms of social organization, focusing on three levels: the micro level based on a taxonomical analysis of the nature of (quasi)public goods and of the implications of their heterogeneity for their provision and consumption through nonprofit arrangements (with a special focus on the notion of "coproduction"); the mezzo level—the analysis of the various organizational structures emerging around (quasi)public goods dealt with by compounded units of production, provision, and consumption (with a focus on the notion of "public economy"); and the macro level—the introduction of the notion of "polycentricity" as a meta-framework inviting a reconceptualization of the relationships between the for-profit, nonprofit, and governmental organizations in diverse and dynamic institutional environments.

Keywords

institutionalism, public goods, political economy, polycentricity

Introduction

A significant part of the Ostroms' work may be seen as a pioneering contribution to the study of the heterogeneous and complex "neither markets nor states" domain, the domain in which voluntary social action is a constant feature and nonprofit organizational forms

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are salient. However, there has been a lack of translation between their work and the work of nonprofit and voluntary-action scholars. The objective of this article is basic: An attempt to show how a simple change of perspective, using a nonprofit and voluntary studies angle, reveals not only the relevance of the multifaceted work of the Ostroms for the study of the nonprofit sector but also the convergence of the Bloomington scholars'¹ insights with the mainline body of nonprofit theorizing.

Ben-Ner and Gui (2003; in Anheier & Ben-Ner, 2003) argue that in a rapidly growing nonprofit literature, theories have begun to converge into complementary approaches. Even in the absence of unifying theory, a certain complementarity operates in the background of the theory-development process (Anheier, 2005; Ott, 2001; Powell & Steinberg, 2003; Salamon & Anheier, 1998). This article argues that the Ostroms' work does not diverge from the pattern illuminated by all these scholars. The article may be read as an attempt to illustrate this point showing that although the Ostroms' work has evolved on a parallel track to the mainstream nonprofit research line. Although the Ostroms did not directly engage the nonprofit literature, their work contains all elements that can fully converge with the long line of nonprofit theory development. Of the many research avenues and insights opened up by their work, the article will focus on one of the perennial and most challenging tasks of the nonprofit, third-sector scholarship: conceptually articulating and circumscribing its research object as a *sui generis* field of study, given the intrinsic heterogeneity of the phenomena of interest. More precisely, it will look at how one can find in the Ostroms' work, both explicitly and implicitly, fresh ways to think about the niche and nature of nonprofit enterprises and about the place of the nonprofit domain within the broader context of modern social order. We will try to infer, reconstruct, and further articulate an Ostrom theory-informed conceptualization of the sphere of the "neither market nor state" domain.

The Micro-Level Perspective: The Nature of the Goods, Institutional Theory, and Coproduction

As noted, one of the most striking features of the Ostroms' work is that although developed on a track tangent to the core debates in mainstream nonprofit scholarship, it is remarkably consistent with the major themes and insights emerging from that debate. Both literatures have grappled with the interaction between the types of goods produced and the institutions needed to support in their production (Hansmann, 1987; Rose-Ackerman, 1986; Steinberg, 2003; Weisbrod, 1977, 1988). The typology of goods is the instrument helping our understanding of institutional diversity and, hence, of the specificities of the "neither markets nor states" institutions. "Given the heterogeneity of citizen preferences and demands, nonprofit organizations may facilitate the provision and production of a variety of collective goods to more homogeneous subgroups of diverse, large populations" (E. Ostrom & Davies, 1993, in Hammack & Young, 1993, p. 23).

In the very early writings of the Ostroms, one may already detect the contours of a potential institutional theory of the third sector (E. Ostrom, 1991; V. Ostrom & Ostrom, 1965, in McGinnis, 1999). Its micro-level roots are in the interplay between goods,

technology, institutions, and belief systems. Technology and institutions in conjunction with the attributes of the good or service, as framed by beliefs, values, and preferences, determine the profit or nonprofit orientation of an institutional form. For more than 50 years, the Ostroms practiced a dialectic research process that involved a continual conversation between theory and empiricism. Rather than solely focus on institutional design, where there is a “best” design for a particular context, they turned to comparative institutional analysis to understand the strengths and weaknesses of particular institutional configurations. There is strong convergence with comparative institutional studies in the nonprofit literature (Dollery & Wallis, 2003; Smith & Gronbjerg, 2006).

The overviews of the political economy literature dealing with the nonprofit sector validates this interpretation (Anheier, 2005; Anheier & Ben-Ner, 2003; Ben-Ner, 1986; Clemens, 2006; Dollery & Wallis, 2003; Smith & Gronbjerg, 2006; Steinberg, 2003). The list of key concepts and theories is telling, pointing out to a common language and theoretical core: public goods theory, club theory, market and state failure, trust goods, entrepreneurship theory, and stakeholders-based approaches. There is no difficulty in finding points of convergence and complementarity with the Ostroms’ institutionalism that builds and employs in its theoretical architecture on the same conceptual apparatus. Moreover, a closer look at the work on common pool resources and governance of the commons reveals that many micro-level issues regarding nonprofit governance (such as identification of stakeholders, allocation of decision making, monitoring, trust, reciprocity) may be fruitfully explored using the instruments and insights developed by the Bloomington scholars in their investigation of the commons. It is indeed in their later work on community-based resource management where the voluntary aspect becomes pivotal (E. Ostrom, 1990). Elinor Ostrom championed a third way for addressing one of the thorniest social dilemmas: the tragedy of the commons. The two solutions previously advanced to the tragedy were either to completely privatize and assign property rights to individual appropriators or to cede all control to an overarching state that would monitor and sanction its use. The third way is based in voluntary action, where all appropriators can devise governance arrangements that allow for self-monitoring and ultimately better outcomes for all. This commitment to voluntary action directly mirrors the interests of scholars in nonprofit studies.

One of the areas of greatest overlap between the Bloomington School and nonprofit scholars—often tangentially through the public administration literature—is coproduction. The Ostroms and their collaborators observed that in many cases, the public and quasi-public goods they studied featured two types of producers, a “regular” and a “consumer producer,” that “mix their efforts” (Parks et al., 1981). That is to say, although individuals and groups may be regular producers of goods and services they supply for exchange, these same individuals may be also acting as consumers or groups of consumers that contribute “to the production of some goods and services they consume.” In many instances, “consumer production is an essential complement to the efforts of regular producers [and] without the productive activities of consumers nothing of value will result” (Parks et al., 1981, pp. 1001-1002).

The Bloomington scholars documented many situations in which such collaboration was decisive for the production process. Education, for instance, needs the active involvement of the consumer or beneficiary to achieve its goal: learning. Passive learning is rarely a productive strategy. The same goes for health care and many other social services. A large number of nonprofit activities bear in varying degrees such features. Once scholarly attention is focused on the role of consumers as coproducers of the services they receive, the specific contours of various possible organizational forms affected by that reality become easier to detect (E. Ostrom, 1996; V. Ostrom & Ostrom, 1977/1999, in McGinnis, 1999). And interestingly enough, many of them belong to sectors that are traditionally associated with nonprofit activities: health care, religious and civic life, and education. That does not mean that coproduction is an exclusive feature of nonprofits. There is a substantial coproduction component in a wide range of forms of organization, from for-profit enterprises competing on the open market to charter schools, day care, and micro-credit organizations. Studies have shown that coproduction is crucial for public services and public administration (Parks et al., 1981; Sundeen, 1985), emerging at the interface between the public and the private (Brudney, 1987) or the interface between the public sector and “the third sector” (Brandsen & Pestoff, 2006).

In brief, there are solid theoretical and empirical reasons to conjecture that at least some of the nonprofit organizational forms have something to do with coproduction situations. Coproduction does not offer itself as a universal explanation of the emergence and nature of nonprofit organizations, but it may be able to explain some of them. Paraphrasing Henry Hansmann’s essay in clarification of his own theory of nonprofit organization, one should not take the coproduction proposition as a “strong” or “super-strong thesis.” We should simply limit ourselves to the “weak thesis” that there are reasons to think that the nonprofit form may serve as a crude but effective device to deal with coproduction situations (Hansmann, 2003, in Anheier & Ben-Ner, 2003).

The basic model of coproduction is rather simple and intuitive. First, one has to keep in mind that the coproduction situation is a result of technological, economic, and institutional factors. As the Ostroms’ team put it, (a) technology determines whether the production function involves a mixing of the efforts of regular producers and consumer producers; (b) economic constraints and incentives determine whether that mixing is efficient or not, given the technical feasibility and the economic trade-offs; and finally, (c) the institutional factors determine whether and how the combining takes place (Parks et al., 1981).

When coproduction is technically feasible, one may imagine two theoretical scenarios. In the first scenario, the (a) regular producer inputs and (b) the consumer producer inputs are substitutes. Production may involve only regular producer inputs or only consumer producer inputs. One unit reduction in regular producer inputs is, by the very nature of the case, substitutable by an increase in consumer producer inputs. The relationship is symmetrical and the substitution may go the other way round. Parks et al. (1981) give the example of trash collection. Yet, this is not the most interesting situation. There is a second scenario that generates the more interesting approach, a scenario in which the inputs are interdependent and non-substitutable. In

such cases, because of interdependence and non-substitutability, “no output can be obtained without inputs from both regular and consumer producers.” As the Ostroms’ team explained, the teacher–student interaction in producing education in the classroom features substantial interdependence.

The amount of additional output from adding a unit of one of the inputs depends upon how much of the other input is supplied. Thus, decisions about adding (or reducing) regular or consumer producer inputs cannot be guided by independent marginal calculations. (Parks et al., 1981, p. 389)

Such situations open the door of an entire set of insights regarding organizational arrangements that operate “under conditions where they have incentives to assist citizens in functioning as essential coproducers” (V. Ostrom & Ostrom, 1977/1999, in McGinnis, 1999, pp. 93-94). As one may expect, such circumstances are a nexus of problems usually associated in the nonprofit literature with models and concepts explaining the rationale of nonprofit arrangements: trust, unilateral or bilateral misbehavior, locus of organizational control, stakeholder responsibilities, asymmetric information, and so forth (Hansmann, 1987, 2003; James, 1990; Ortmann, 1996; Rose-Ackerman, 1986; Steinberg, 2003). Pestoff (1998) shows how a variety of social enterprises may be approached through the coproduction lenses, whereas Brandsen and Pestoff (2006) illustrate the concept using the provision of community services. Coproduction leads to similar dilemmas of cooperation, coordination, and communication and more often than not, to similar solutions that require recourse to what is called the nonprofit organizational form.

In the case of coproduction, explained the Ostroms, the problem of cooperation and coordination is more effectively solved by what they call polycentric and compounded arrangements. In other words, by “a system having many centers of decision making with overlapping jurisdictions that are formally independent of each other” under an overarching system of rules (V. Ostrom, 1972, in McGinnis, 1999, p. 53). Features defining the “third sector,” such as hybridity and heterogeneity are the natural outcome of all that. In brief, unpacking the coproduction situation, one may see how the coproduction model opens an additional window to the multifaceted reality of third-sector phenomena.

To sum up, the Ostroms’ approach pivoting on a micro-level theory of goods and their attributes in various provision, production, and consumption situations is consistently congruent with the mainstream nonprofit scholarship. Overall, it provides material for reinforcement of that scholarship on political economy and institutional theory lines. Moreover, it may even offer a relatively original additional theoretical account of nonprofit organization, via the notion of coproduction. That being said, we have to keep in mind that one of its most interesting aspect is that it provides the grounding for an approach that goes beyond the micro level. It offers the basic elements of an integrated micro-mezzo-macro perspective. To get a better sense of that, let us move to the other dimensions of their contributions, by shifting the focus from micro level toward the mezzo and macro levels.

The Mezzo-Level Perspective: Provision-Production-Consumption Sequences, Linkages, Structures, and Clusters in Public Economies

A good starting point for a discussion of the Ostroms' mezzo-level perspective is the distinction between on one hand, the provision, and on the other hand, the production of a (quasi)public good or service (Aligica & Boettke, 2009; V. Ostrom & Ostrom, 1977/1999, in McGinnis, 1999). The idea that some organizational units (be they governmental, profit, or nonprofit) may be involved in the production of a good or service, whereas another unit (be it governmental, profit, or nonprofit) is involved in its provision, generating thus chains of cooperation and interlinked structures, opens up the path to a conceptualization that integrates but surpasses the standard, micro-level approach. Following this logic, a rather atomized perspective (mainly centered on individuals and disconnected organizational entities) gives way to a perspective that focuses on networks, linkages, structures, and clusters of organizations. It reveals the possibility of an interorganizational system of division of labor, cooperation, and exchange leading to various configurations and conglomerations of organizational and social entities. Viewed in this light, a nonprofit entity should reveal additional structural linkages and features than those illuminated by an atomistic analysis. As the Mondragon or Grameen cases reveal, the very existence of some units may entirely be a function of its position in such structures.

Such units would form a larger, more or less stable system of interrelationships. Cooperative and competitive patterns could emerge, extending sometimes well beyond the boundaries of what we arbitrarily separate for analytical purposes as the "non-profit" territory. The "ecological rationality" of mixed arrangements is better illuminated. Bushouse (2011) has demonstrated using the institutional analysis framework developed by the Ostroms, the diversity of the mixed economies of for-profit, nonprofit, and public providers and how that reveals that "the empirical reality of service delivery, particularly for club goods with information asymmetry is far too complex for simplistic assumptions linking profit distribution or its reinvestment to outcomes" (p. 105). Ostrom and Ostrom (2004) have identified and drawn attention to such aggregative structures and even articulated an attempt to conceptualize and analyze them. In doing that, they have given additional substance and form to the middle ground between general, broad macro conceptualizations as "the third sector" or "the nonprofit sector," and the micro-level perspective devoted to individual actions, situations, and their organizations expressions.

In a world of diverse goods subject to joint consumption and production in diverse and changing social environments, one may expect, they write, "an array of differently sized collective consumption and production units" to provide opportunities to realize not only diverse economies of scale but also all sorts of combinations and organizational arrangements that are not available in simple, cellular organizational settings (V. Ostrom & Ostrom, 1977/1999, in McGinnis, 1999, p. 95). Taking the analogy one step further, one may say that we are dealing with a molecular perspective. The attention shifts on the emerging compounded structures: chains of provision, production and

consumption form and re-form, generating multiple-level interlinked organizational formations. Such structures entail new production, provision, exchange, and consumption possibilities with multiple levels of not only coordination and cooperation but also competition. Given this background, it is not difficult to infer that what one calls “non-profit arrangements” have a natural niche in such chains and structures.

These arrangements often take the form of a voluntary association with regularly scheduled meetings, with officials to set meeting agendas and to arrange for the organization and presentation of pertinent information. Many of these voluntary associations of collective consumption and production units may be formally organized with bylaws and membership fees or assessments to cover the cost of a small permanent secretariat that organizes information, implements decisions, and engages in entrepreneurial activities on behalf of the association. (V. Ostrom & Ostrom, 1977/1999, in McGinnis, 1999, p. 96)

The point of the current discussion is not to delve in the details of such arrangements but to draw attention to the mezzo-level perspective. Profit and nonprofit, voluntary and non-voluntary organizational arrangements are part of systems of exchange, cooperation, cross-subsidization, and complementarity among entities operating at different levels and in different functional parameters. The dynamics of multi-organizational partnerships, policy fields that shape the structures of public service provision (Stone & Stanford, 2009), nonprofits, contracting, and for-profit and nonprofit partnerships (Skelcher, 2007; Smith & Lipsky, 2009), or nonprofit organizational ecology studies (Stater, 2010), all have in common the identification and exploration of compounded structures and arrangements operating across organizational boundaries.

In brief, the mezzo-level approach could be used to study a variety of topics of nonprofit scholarship that (a) go beyond the small, voluntary associations, to focus on the larger structures entailed by their operating environment; and (b) look at how mixed forms of organizations are embedded and can emerge in a mixed system in which for-profit, governmental, and nonprofit social mechanisms interact. In what measure the services provided by micro financing and micro lending depend on adjacent market and governmental organizational resources and services? What are, more precisely, the input–output flows linking various nonprofit organizations resources-to-services operations to for-profit organizations? How do these linkages affect the for-profit/nonprofit mix in an organization or an entire field?

Seen in the light of the Bloomington School’s theoretical lenses, the main challenge is to identify and analyze such structures, many of them rather informal and unstable. It is natural to assume that they depend on their context and that their scale and scope vary from area to area and the passage of time. The Ostroms and their collaborators decided to denote, through the concept of “public economies,” the molecular institutional architectures identified in their work on metropolitan governance (McGinnis, 1999). It is important to note that the Ostroms’ attempt to deal with the phenomenon, as instantiated and revealed in a specific area of their research interest (metropolitan governance) should not be taken as a basis for generalizations covering the entire “third sector.” Instead, it should be seen as one possible way to deal with the challenge

posed by the phenomenon in case. They wanted to use the notion as a vehicle for an alternative conceptualization of the organization of metropolitan governance activities. At our turn, we could learn from that and extend it to specific themes or organizational arrangements such as Mondragon cooperatives, Grameen banking, or large health service organizations and their operating environment.

As one may expect, consistent with their method and approach, the Bloomington scholars went on to explore the “public economies” by pointing out the multiple technical and organizational forms used in establishing collective consumption units (consumer cooperatives, municipal corporations, public service districts, etc.). Municipalities, they explained, may organize their own school systems, road, and police departments but may also contract with others (including other levels of government) to have produced such services for communities that may be directly paying for services or may have alternative provision arrangements. In reaction to those skeptical, the Ostroms and their team asserted that examples of such units abound: small and large, focused on one good or service or multipurpose, organized on a governmental basis (small suburban municipalities, or the national government), or organized as nongovernmental associations (neighborhood organizations, condominiums, churches, voluntary associations). Yet, despite their heterogeneity and apparent arbitrariness, one may identify underlying structures and processes that link them in patterns of order. The concept of “public economies” was a good heuristics and analytical device in circumventing the dead end of that thesis.

In brief, their featured method does not operate through simple oppositions to “market” and “state” principles or models. Instead they follow the intertwined relationships and configurations of realistically depicted organizations and processes, as they could be observed aggregating at the mezzo level. The legacy of the Bloomington scholars’ work in this respect is rather challenging: The existence of mezzo-level aggregation and clustering is undeniable. The literature has already recognized that under multiple forms (Smith & Gronbjerg, 2006). The question is whether or not such phenomena are significant enough to require a special treatment in our theorizing of the nonprofit sector. Does mezzo-level theorizing in third-sector settings have a carrying capacity similar to the one in economics via industrial organization theoretical lenses or in political science through the intergovernmental-relations middle-ground theories? How far may one go in analyzing this sector through the mezzo-level structures? Needless to say, these and similar questions invite a renewed engagement on the lines opened up by the Ostroms and their team.

The Macro-Level Perspective: Polycentricity and Institutional Diversity

Further extending to the macro level, the Ostromian micro- and mezzo-level logic and insights lead to an original view of the “third sector,” seen as an intrinsic part of complex social systems operating under multilevel, heterogeneous governance arrangements, in a complex ecology of profit, nonprofit, and government organizational forms (V. Ostrom, 1972, in McGinnis, 1999). The bottom-line is that nonprofit entities,

formal or informal, are part of a broader system, they are embedded in a kaleidoscopic social structure driven by a rather dynamic process. In it, the boundaries between formally defined sectors (market, state, nonprofit) are difficult to be drawn. Yet, patterns of order emerge and may be theoretically detectable. What applies to the micro and mezzo levels, applies to the macro level as well.

To articulate this systemic view, the Ostroms used as a vehicle Michael Polanyi's (1951) notion of polycentricity. They defined a polycentric system as "a system having many centers of decision making with overlapping jurisdictions that are formally independent of each other" under an overarching system of rules, and that generate in their interplay "a set of ordered relationships that persists through time [and] prevail, perhaps, under an illusion of chaos" (V. Ostrom, 1972, in McGinnis, 1999, p. 53). The theoretical lenses provided by the notion allow us to separate from the dazzling multitude of entities and processes a macro-level structure and describe it. Moreover, the notion of polycentricity is an ingenious way to take an encompassing look at the nonprofit sector in its embeddedness with the for-profit and governmental sectors. It is, if you want, an attempt to combine the lessons of modern political economy and governance theory and integrate them into a macro-level theoretical perspective that takes seriously the problem of institutional diversity. If one takes coproduction processes; institutional diversity; organizational functionalism; public, quasi-public, and club goods theory; as well as institutional theory seriously, sooner or later one has to follow their logic and implications to the macro level. A conceptual framework based on polycentricity seems to be the natural outcome, difficult to avoid, impossible to neglect. Interesting enough, McGinnis and Ostrom (2012) note that the concept of polycentric governance, first laid out by Vincent Ostrom in the influential article co-authored by Tiebout and Warren (1961), bears a remarkable resemblance to the now familiar concept of cross-sector collaborative network governance. The more recent literature rarely makes any connection to this earlier work (in which the polycentric order is seen as a function of the reinforcing exit, outsourcing, and collaboration processes at multiple levels), but its relevance is undeniable.

One of the notable outcomes of an approach based on polycentricism, engendered by this vision, is that it encourages a research agenda that escapes using the "government" or the "state" as key reference points and framers of analysis. That marks indeed a departure from the dominant mainstream mode of analysis in the 20th century in political sciences (and partially in economics; V. Ostrom, 1991, 1993, 1997, 1973/2008). As other authors who used a polycentric approach in their studies have noted, "polycentric networks transcend the traditional ideas of jurisdictional integrity in state-centric systems" (Skelcher, 2007, p. 89). That does not mean that the state-focused perspective is incorrect. It simply means that it is one possible way to approach things and that may not be very effective when dealing with many phenomena and domains including, for instance, the voluntary sector.

A polycentric vision places at center stage the individuals and the forms of self-governance and organization resulting from their interactions. That approach is naturally convergent with the "third sector" literature, in which voluntary action and its institutionalization are central. Government itself, the state, we are reminded, is not a *deus ex*

machina, an axiomatic entity. In the end, it itself should be at least partially a construct of voluntary decisions of the individuals. After all, the government, and the profit and nonprofit forms of collective organization, are all the result of the same social and decisional ingredients. There is no reason to give a special ontological or methodological status to any of them. Individuals develop diverse, intricate, and interdependent relationships with other individuals in complex situations or environmental conditions. They make choices, organize, and have to adjust to the preferences and choices of others. Competition, cooperation or coordination, exchange, donative acts, and opportunism problems arise. Various institutional forms emerge as a result of all that.

In the context of the present discussion, it is not necessary to go as far as to assume the strong thesis that polycentrism leads automatically to a more diverse and the more dynamic nonprofit sector. Solid and constructive insights may be offered by the weaker thesis according to which there are good reasons to conjecture that in a polycentric system what we call the “nonprofit sector” has a favorable space to grow, multiply, and diversify in various forms and in various hybridization versions. That is not to say that nonprofit, voluntary initiatives and forms of organizations are not possible in a monocentric, hierarchical system. They are, and the forms that they may take could be an interesting research subject in itself. Yet, based on the micro- and mezzo-level accounts and insights that we have reviewed so far, it looks like polycentrism is the best way of describing the favorable macro level, structural, and constitutive condition for a diverse and flourishing third sector. With that conjecture, we have already entered into deep normative territory. In fact, one of the challenges posed by the concept of polycentricism is that it has not only descriptive and analytical facets but also a normative one. Disentangling these facets is an overdue task in the polycentrism-focused research.

The nexus of descriptive, analytical, and normative is evident in the Tocqueville-inspired literature that has been so important for the Bloomington scholars (V. Ostrom, 1997; Sproule-Jones et al., 2008). In its light, the triadic conceptual and intellectual history link between the Tocquevillian tradition, the Ostroms’ research project, and the civil society, nonprofit sector contemporary research literature gains new significance. Hence, one may easily view the notion of polycentricity as a mode of bolstering conceptually the Tocquevillian strand of theorizing about the “neither markets nor states” domain, by infusing in it a dose of modern political economy. The integrative political economy perspective may be infused from the very micro level. As noted, one may take the idea of coproduction and follow its mezzo and macro implications. For example, one may note that in some cases, the consumption of goods otherwise considered private, cannot be seen as an act that can be effectively realized by an individual acting alone. Hence, collective action becomes a more pervasive presence to many aspects and levels of an economy.

It is noteworthy that the conversion into polycentrism vocabulary of the normative and analytical Tocquevillian theses runs smoothly: The dispersion of decision-making capabilities associated to polycentricity “allows for substantial . . . freedom to individuals and for effective and regular constraint upon the actions of governmental officials” (V. Ostrom in McGinnis, 1999, pp. 63-64, 66-67). Polycentricity seems to be an important characteristic of democratic societies. Objectives such as “liberty,”

“freedom,” and “justice” may have favorable conditions in polycentric systems as claimed by the Tocquevillian literature itself (V. Ostrom in McGinnis, 1999, pp. 119-120).

To sum up, the brief outline of the notion leads to the conclusion that the macro-level conceptualization developed around the notion of polycentricity offers a fresh view of the third sector, its associated institutions and processes, and their place in the architecture of social order and human governance. It is a truly macro view, a meta-framework involving no theoretical privilege or discrimination between private, market, state, hierarchical, non-hierarchical, and so forth, forms of social organization. In other words, once approached through polycentricity theory lenses, what we call “non-profit” and “third-sector” entities come to be seen not as residual, or second-best solutions, but as intrinsic parts of a loosely integrated, dynamic system. These entities and their networks are not a secondary, tributary, separated domain, brought into the picture by the failures of the two major players, the state and the market. We may not fully understand yet their individual and aggregated functions and structures and their place in the broader architecture and dynamics of things, but definitely, this place is not residual and accidental. As such, the Bloomington school approach contributes to important debates regarding the nature of the nonprofit sector in the context of its own heterogeneity and of its relationship with other sectors of society: Are nonprofit–government relations complementary, supplementary, or adversarial (Young, 2006)? Are private government, the nonprofit sector, and civil society the same thing (Mendel, 2010)? How do various conceptualizations of civil society, nonprofit, and third sector fit in (Muukkonen, 2009)?

Last but not least, using the polycentricity perspective in combination with the typical “three sectors” theories (that provide the mainstream macro conceptualization in the literature) leads to an entire series of stimulating questions and yet another possibility of convergent construction with themes already developed in the mainstream nonprofit scholarship (Salamon, 1987; Salamon & Anheier, 1995, 1998; Salamon, Sokołowski, & Anheier, 2000; Smith & Gronbjerg, 2006; Weisbrod, 1975, 1988; Young, 2000). One possible direction would be to follow the logic of polycentricism to its implications that question the usefulness of the trifold analytical categories or types. That move has some clear affinities with certain arguments in nonprofit scholarship. However, the possibility to retain the basic taxonomy—at least as a heuristic device—and to re-conceptualize the relationship between the “sectors” *within a polycentric framework* seems to be one of the most interesting challenges emerging from the Bloomington school’s theorizing.

Using such an approach, one may make even further steps in advancing the macro-level, macro-historical analysis that is already a well-developed subdomain of nonprofit studies: What does a polycentric theory and political economy approach suggest about the interaction between “the state” and “the market” as a driver determining the size, shape, and dynamics for the “third sector”? Is the growth of the market and the state, as major forces in modern social systems, the main driver in the emergence of the complex class of arrangements that we associate to this sector? What kind of predictions could one make based on themes and questions such as the above, regarding

the capacity, scale, sustainability, and impact of the nonprofit sector? What are the operational approaches to such questions, theses, and conjectures within the polycentrism paradigm? Such an evolutionary–historical approach could build on and complement the standard political economy analysis.

At the same time, it is noteworthy that using the polycentricity framework, one could open the door for a unified perspective on the dynamics of the nonprofit sector in the broader ecology of for-profit and governmental organizations. The idea is simple and grows naturally from the Ostroms' assumptions (and, one may add, from the assumptions of most political economists of the voluntary sector): Public and quasi-public goods and services may be provided at different costs and in different bundles, in different quantity–quality mixes, by different organizational forms: churches, humanitarian bodies, cooperatives alongside families, market and governmental organizations. In such circumstances, their services are always open to rivalrous provision or substitutes. All these organizations are hence pressed to engage in various forms of entrepreneurship and become more and more engaged in some form or another of competition.

Discussion and Conclusion

By elaborating and theorizing the notion of polycentricity, the Ostroms give us the chance to revisit the problems of the nonprofit sector and to ask old questions in novel ways, inspired by a fresh analytical and interpretive framework. We now have an instrument that allows us to further conceptualize and explore on innovative avenues the relationship between profit, nonprofit, voluntary, and non-voluntary organizational forms and structures. And, interestingly enough, again, even in this respect, the Bloomington scholars' work does not come as a challenge or subversion of the mainstream nonprofit scholarship. Rather, it converges with it in multiple ways and on multiple dimensions, offering, if not a framework for integration, at least one for cross-fertilization.

The article explored the Ostroms' inspired perspective, organizing their approach around three levels. The micro-level—an approach based on a taxonomical analysis of the nature of (quasi)public goods and of the implications of their heterogeneity for their provision, production, and consumption through nonprofit arrangements (with a special focus on the potentially innovative notion of “coproduction”). The mezzo-level—the analysis of the various organizational clusters and aggregated structures emerging around public or quasi-public goods produced, provisioned, and consumed by collective and compounded units of production, provision, and consumption (with a focus on the notion of “public economy”). The macro level—the introduction of the notion of “polycentricity” as a meta-framework inviting a fresh reconceptualization of the relationships between the for-profit, nonprofit, and governmental organizations in a historical and macro-sociological perspective (with a special focus on the role of knowledge production and dissemination in such institutional diverse and dynamic institutional environments).

Within the framework created by these three analytical levels, one may project the specific aspects of the typical presentation of the third-sector domains (Table 1). The

Table 1. Basic “Bloomington School” Themes of Relevance for “Third-Sector” Studies.

	Political economy	Institutional diversity and social experimentation	Tocquevillian associative and civic life
Micro	Coproduction	Incentives and knowledge as parameters of social cooperative experimentation Learning and adaptation in nonmarket settings Micro-level logic of cooperation and institutional design in collective action situations	Integrative and formative functions for individuals Basic mechanisms of trust and reputation building “Bonding” social capital generator Citizenship as institutional competence
Mezzo	Public economies	Compounded structures of financing-production-provision Variety of functional patterns of cooperation, exchange, and organizational coordination	Public economies as spaces or laboratories of self-governance Functional structures linking communities and organizations “Bridging” social capital generator
Macro	Polycentricity	Governance frameworks creating the conditions for institutional diversity, social experimentation, and resilience Multiple nested and overlapping centers of decision making, power, and governance	Dispersion of authority and power as condition for robust civil society and democratic freedoms and justice “Competitive governance” as a process inducing citizens’ participation and control

first is that of political economy: It builds around the logic of collective action and public choice approaches to public and quasi-public goods and services delivery, and explores its implications for public governance. In this respect, the Ostroms’ contribution is massive: They were pioneers in multiple ways of the theoretical and empirical study of a wide range of arrangements and processes emerging in conditions in which either the nature of the goods (services) or their institutional and technological circumstances demanded solutions that went outside the standard market or state parameters. The Bloomington scholars were not only students but also advocates of such institutional arrangements. As such, their work may be seen as heralding the new public management opening toward nonprofit and hybridity, and other applied-level efforts encouraging the growth of a mixed economy of welfare.

Second is the institutional diversity—the social and institutional heterogeneity—angle. This perspective is related to the first (they have common roots in the public and quasi-public goods theory). It starts too with the problem of heterogeneity of preferences, values, and perspectives and, hence, with the heterogeneity of demand of (quasi)public goods. Yet, the emphasis is not on the details of the institutional arrangements and their governance, considered in isolation. Instead, the attention shifts on the role of institutional diversity itself, seen in the larger picture both of the “third sector” and of the entire spectrum of the complex ecology of for-profit, governmental, and nonprofit organizations. A

source of social experimentation, innovation, and social learning, institutional diversity is accomplishing a crucial social function. In this respect, again, the Ostroms were pioneers. Their metropolitan governance studies, started in the sixties and continued in the seventies, were exemplary, standing even today as models of robust theoretical and empirical approaches to the issue. Their message was a strong argument in favor of nonprofit, voluntary, and hybrid organizations and of the third sector in general: Allowing experimentation with nonprofit and hybrid alternatives, beyond the “market” and “state” ideal models—allowing institutional diversity, coexistence, and competition—is the sole way to produce the much-needed information about the viable governance formulae and to encourage the emergence of better fitted institutional alternatives.

Last but not least is the neo-Tocquevillian perspective focused on the formative, integrative, and participatory function of the third sector. In this case, the focus is on civic and associative life and on how independence, self-reliance, foresight, and general self-governance capabilities—viewed as essential for the functioning of the economic and political institutions of modern society—are generated and supported in the nonprofit sector. Foundation or infrastructure for social capital and civil society, nonprofit organizations are laboratories and workshops of good governance and participatory democracy. Because they are formative for the attitudes and behaviors that sustain a free and prosperous social order, they are the basic operating condition of the other two sectors. The Ostroms’ contributions in this respect are multiple. From Elinor’s studies on trust, social capital, and self-regulation, to Vincent’s attempt to advance the notion of public entrepreneurship or to redefine the theory of democracy by combining Tocquevillian and epistemic-deliberative perspectives, their efforts have consistently been conducted to a more nuanced understanding of the civic and formative facets and functions of the nonprofit sector and civil society. In conjunction, all these distinctive contributions that are relevant for “third sector” studies at so many levels are an important legacy of the Ostroms and invite further explorations in multiple ways.

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Note

1. In his article “Virginia, Rochester, and Bloomington: Twenty-Five Years of Public Choice and Political Science” published in *Public Choice* in 1988, William C. Mitchell

distinguished between “three schools of thought have appeared in public choice and that they are sufficiently different to warrant distinctive labels”: Virginia (Charlottesville, Blacksburg, Fairfax), Rochester, and Bloomington, each coordinated by dominant figures (Riker at Rochester, Buchanan and Tullock at the Virginia universities, and the Ostroms at Indiana) (p.101). In time, the notion of a distinctive “Bloomington School” has become associated with the work of the Ostroms and of their collaborators that were part of an international network of scholars advancing the research program defined by the Ostroms.

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