

COMMUNES, THE LOGIC OF THE COMMONS
AND INSTITUTIONAL DESIGN

Kari Bullock
and
John Baden

Among the sources of tension in American society is a substantial ambivalence toward competition. American children, like those in most other modernized societies are given a dual behavioral standard. For most social interactions, competition is an accepted and even a favored mode of behavior. In the family, however, unselfish and altruistic behavior is upheld as the ideal. Thus, the child is expected to learn to adjust his behavior to differing situations. Careful discrimination, then, became very important in determining appropriate action in any given situation.

There is no society that is perfectly successful in its acculturation of its children. Further, no individual is capable of perfect discrimination. He cannot apply one standard with perfection outside the family context, and concurrently apply another within. These weaknesses invariably create problems and tensions.

One effort to resolve the problem involves the establishment of a communally organized society. Such a society is noted for its relative absence of individual property rights. Material wealth is dispersed equally among the members of the group and property is held in common. Since all share equally in group assets, the opportunity for discrimination among individuals on the basis of wealth is reduced, if not entirely absent.

It has been assumed that in the absence of private property and wealth, individuals have little incentive to be competitive and that, therefore, greed selfishness and other negatively valued features associated with competition would be greatly ameliorated in a communal setting. Hence, the cooperative behavior held to be the ideal within the familiar order is expanded and applied to the communal order giving greater consistence to society's ideal patterns for behavior.

Experiments with such social arrangements are essentially experiments with institutional design. The underlying assumption is that with institutional change, behavioral change will follow. The United States witnessed hundreds of these experiments during the first half of the 1800's. Among the more famous are Shakers (New York...), Rappites (Pennsylvania), Zoarites (Ohio), Perfectionists (Vermont), and Owenites (Pennsylvania and elsewhere).

In none of these cases were the institutional arrangements sustained. Either the attractions offered by communal life were not as great as the perceived opportunities in the larger society, or the organization was incapable of operating as a viable economic unit. In order to understand the causes of this type of institutional failure, a close examination of one such experiment is highly warranted.

Communed Organization of the Mormons

One of the most successful institutions in the world today is the Mormon Church. This organization, officially known as The Church of Jesus Christ of Latter-day Saints, has experimented with various methods of institutional design. Through a gradual process of testing, modification, abandonment and change, the Church has evolved to its present form. One of their earliest efforts at institutional innovation involved the development of a communal organization in Jackson County, Missouri, during the years 1831 to 1834. This effort, like many others throughout America at that time, was destined to fail.

Logic of the Commons¹

A commons pool resource is set apart by certain defining characteristics. First, ownership of the resource is held in common by the community of users.

Second, each user has independent rights of access to that resource. And third, voluntary agreement for cooperation is necessary for any project requiring joint action or community participation.²

Each individual drawing upon the commons pool resource is expected to attempt to maximize private benefits and minimize private costs. The benefits of resource utilization are directly realized by the individual, but, because ownership of the resource is dispersed among the community of users, the costs suffered in resource depletion are also dispersed. In adopting maximizing strategies, then, the individual user need not take into account the entire costs of his actions, but only that small fraction of the costs which he must bear directly. If the direct benefits of an action exceed the direct costs, he is logically compelled to engage in that action - to maximize his take and to ignore any spillover costs to the community.

When demand upon the resource begins to exceed the supply, the situation begins to generate tragedy. Every individual seeking to maximize his gain follows the same logic, competition for the resource results, and spillover costs are largely ignored. Detrimental impacts upon the resource are overlooked and depletion of its quality and/or quantity accelerates. When the commons becomes overloaded, eventual ruin is likely to be the outcome.

In the tragedy of the commons, predictions of individual behavior expose the inherent problems. Already mentioned is the overt and widespread disregard for the high social costs and resource depletion incurred by individual maximizing actions. In addition, problems arise whenever voluntary cooperation for joint action is the only means of generating possible collective benefits. Only if the entire community of users participates and follows the rule of willing consent will each user share equally in the costs of the endeavor. If individuals are able to withdraw cooperation, some will surely do so. Such strategies would enable an individual to reap the benefits of

the collective action without paying any of the costs. Few users will be willing to pay the resulting disproportionately high costs which may easily exceed any anticipated personal benefits. Most users will therefore manifest a distinct reluctance to joint in any efforts requiring voluntary cooperation only.

In the absence of equitably regulated utilization, competition for a resource may eventually lead to the domination of one user or group of users over the remainder of the community. This constitutes another possible high social cost to the community and a potential competitive advantage to a few.

It is possible to overcome these problems. Communities may appeal to an already existing public agency to incorporate the commons pool management into its realm of jurisdiction. If no such agency exists, or it proves incapable or proper management, the community may attempt to devise a new agency.

The efficiency of the agency is directly related to several factors. First, the agency must have access to accurate technical information. It must be familiar with the patterns of resource use, with the condition of the resource, and with local and national markets. Second, the relative size of the agency directly affects the costs of making decisions. An agency which has a high percentage of community participation will tend to be slow in reaching agreement and making decisions: whereas, an agency with relatively small participation will tend to minimize the time and energy expended in the decision process. A small agency, however, has a greater potential for generating disproportionately high costs to those who may be disadvantaged by the adopted politics but lack a vote. Third, the members of the agency need to be provided with effective incentives to manage the commons in the best interest of the community at large. And fourth, the

agency must have some means of enforcing its stipulations.

The Law of Consecration and Stewardships

Joseph Smith established the Mormon Church in 1830. Immediately after its conception the Church began to flourish and attract new converts at a substantially rapid rate. The expanding membership quickly created a potentially independent society. The newly formed group needed a cohesive socializing force which would aid in assimilating new members and perpetuate a discrete identity; the ministry of the church required a source of support; and funds had to be provided for church projects. This gave Joseph Smith the opportunity and incentive to combine the church's practical needs with a Utopian idealism in synthesizing a new Christian society.

It is likely that the variety of experiments in communal living prevalent at the time influenced Smith's idealism. Initial stimulus for his eventual organizational plan seems to have derived from a visit he made to Mentor, Ohio where he preached to and converted some members of the "Morley Family," including its leader Jacob Morley.

This communal group was attempting to live by a rule which required the complete sharing of all goods and possessions. According to an account given by a contemporary church member, the family was "going to destruction very fast as to temporal things (because) they would take each other's clothes and other property and use it without leave, which brought on confusion and disappointment."³ Seeing this state of confusion which plagued the "Morley Family," Smith instructed them to abandon their attempt, and instead endeavor to live by the more perfect law of the Lord. These instructions necessitated

an explication of this higher law, which Smith provided on February 9, 1831 in, as her termed it, a revelation from God. The body of the revelation outlined what became known as the Law of Consecration and Stewardships.

The fundamental premise of this law was that everything belongs to the Lord and that men are merely "stewards" over their earthly possessions.⁴ Dissolution of private property, and stewardships in harmony with religious imperatives follow from the premise. When applied to social organization, the result was an initial establishment of relative equality, and ideally, a perpetuation of that equality. The Mormons who attempted to organize themselves in compliance with the law called their society The Order of Stewardships.⁵

Upon entering the Order of Stewardships, members of the Mormon Church were required to "consecrate" to the Lord via the Bishop, all their properties and possessions; both in kind and liquid, both real and personal.⁶ The Bishop then reciprocated by allotting each family head a stewardship, which included many of the initially consecrated items such as clothing, furniture, a building lot within the community, and some form of an "inheritance." The "inheritance" was a means by which a family could make a living. It might have comprised a farm, a workshop, a store or a factory. The size of the stewardship varied from family to family. Apportionment of material goods and the allocation of inheritances was based upon relative rather than absolute equality. The Law defined equality according to the size of a family, its circumstances, and its "just wants and needs."⁷ It therefore allowed for inequalities in individual responsibilities and individual control in management of enterprises.

After the initial allocation of a stewardship, the Church ceased to exercise any control over its operation. The society thereby tried to allow for a measure of free enterprise and capitalistic competition. The market system of supply and demand was adopted as a means of distributing resources and their costs. Inheritances were deeded to the individual steward, and he was accountable only to God.⁸ Even if the individual was excommunicated or voluntarily withdrew from the Order, his ownership of the inheritance was absolute. (However, all other properties that were initially or subsequently consecrated remained in church ownership.⁹). Competition was therefore not entirely absent but its potential was substantially dampened by a further provision of the Law of Consecration and Stewardship.

By requiring an annual socialization of surpluses the Order hoped to provide a mechanism by which the initial equalization of material wealth could be maintained. Each year, the family heads or stewards were required to make an account of the year's production to the Bishop. Surplus incomes, above that which constituted a family's just wants and needs, were to be consecrated to the Order, and held in the Bishop's Storehouse for further distribution.¹⁰ These surpluses were to be used in the support of widows, orphans,¹¹ the poor, and any who failed to produce enough for themselves. The support of the public ministry, as well as payments on church expenditures such as publications, buildings, and land acquisitions were to be supplied by the surpluses. Any additional surpluses could be used by stewards

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who wished to expand or improve upon their expenditures.

Individual participation in the Order and cooperation with the mandates of the Law was essentially voluntary. In fact, the entire outline of the

Law of Consecration and Stewardship was noticeably lacking in coercive control. Any member of the Mormon Church was free to join the Order of Stewardships. Each new member was free to determine the extent of his initial consecration. And each steward was free to annually consecrate as much or as little as he desired. These freedoms rendered the Order susceptible to the economic problems associated with managing commons pool resources.

The first attempt to establish the Order was a quick and utter failure. Several families from Colesville, New York, migrated to Thompson, Ohio, and there established the Order in May of 1831. Each family head consecrated their belongings and possessions in order to procure lands. One particularly wealthy member, Leman Copley, contributed 1,000 acres of farm land. But before the community had been in Thompson for two months, Copley and perhaps one or two other wealthy members abruptly turned against the Mormons and withdrew their consecrated lands. The exact cause of this defection is not known, but the result was complete disruption of the Order. The project was abandoned and the members were instructed by Smith to move to Jackson County, Missouri.

The town of Independence in Jackson County became the focal point for the gathering of the church membership. In another revelation Joseph Smith identified it as "Zion," the centerplace of God's people and their church.¹³ Various other revelations instructed the people to gather in Zion,¹⁴ to prosper and flourish, and to build the kingdom of God.¹⁵ Here they were to establish the Order of Stewardships. The Mormons responded enthusiastically to these commandments and quickly began to immigrate to Zion.

Tapping the Common Pool

From its beginning, the Mormon Church has been actively involved in proselytizing and converting new members. Each new convert was a potential, and eager, immigrant to Zion. This precipitated a fluz of immigration, larger and more rapid than was anticipated by church leaders.

Immigration to Zion was open and no one was refused admittance to the Order upon arrival in Jackson County. For the potential immigrants the benefits of close association with other Mormons, and especially the benefits of receiving a stewardship, outweighed costs of moving to Zion. Obviously, the poorer members could improve their economic situation by joining the Order. Soon, demand for a place in the Order of Stewardships began to exceed supply.

Each new family had to be supplied with an inheritance and a building lot within the community. Lands had to be bought, houses built, and mercantile goods provided. These required time and money to obtain and neither were in sufficient supply. The problem was compounded by the arrival of increasing numbers of families without possessions. Some were utterly destitute.

The church leadership made an attempt to regulate the over-rapid immigration. In another revelation¹⁶ and again in the church newspaper church members abroad were instructed to gather "not in haste, nor by flight." They were to make advance preparations by notifying church officials of their desire to move to Jackson County, and by sending money ahead to buy land. They were then to move to Kirtland, Ohio to await permission to join the Order in Zion. Compliance with these regulations, however, was essentially voluntary as those who arrived without having made advance preparations were not turned away. One Mormon later reflected upon the problem and said that "the church got crazy to go up to Zion, as it was then called. The rich

were afraid to send up their money to purchase lands, and the poor crowded up in numbers, without having any places provided, contrary to the advice of the bishop and others."¹⁸

As "the poor crowded up in numbers" they became the dominant exploiters of the commons. In attempting to provide stewardships for the influx of poor families, the Bishop was forced to draw heavily on the Order's limited resources. The prospect of forfeiting material well-being to accommodate such a large proportion of poor deterred migration of wealthier Mormons abroad.

The benefits of receiving a stewardship so greatly outweighed the personal costs incurred by migration, that the poor had little incentive to comply with the regulations for advance preparation. Each immigrant could also ignore the high costs his arrival inflicted upon the Order, because those costs were paid by the entire group out of consecrated funds.

In July of 1833 the church newspaper printed the following:

"For as yet, there has not been enough consecrated to plant the poor in inheritances according to the regulation of the church, and the desire of the faithful. . . This might have been done, had such as had property been prudent. It seems as though a notion was prevalent. . . that the church of Christ was a common stock concern. This ought not so to be, for it is not the case. When a disciple comes to Zion for an inheritance, it is his duty, if he has anything to consecrate to the Lord, for the benefit of the poor and the needy, or to purchase lands, to consecrate it according to the law of the Lord."¹⁹

Because of the large percentage of poor the size of stewardships diminished along with opportunities for economic growth and expansion. Attempts to curb the influx of the poor and to encourage immigration of the well-to-do were prolific but ineffective: the poor continued to come.

Consecrations and Stewardships

"...every man must be his own judge, how much he should receive and how much he should suffer to remain in the hands of the bishop."²⁰

These are the words of Joseph Smith spoken in reference to the consecrations made by each new member of the Order of Stewardships. When a family desired to enter the Order, they consecrated their possessions to Bishop Partridge, overseer of the Order, and consequently received from him a stewardship. Most consecrated items were "loaned" back to the family as part of their stewardship. Surplus from consecrations was kept for redistribution. The Church leadership expected that in many cases the consecrations would substantially exceed the allotted stewardship, for in other cases the consecrations were expected to be less.

With every man as his own judge, Bishop Partridge had little, if any, control over the size of consecrations he received. The existing members of the Order had little control over incoming members, the goods they supplied, or the demands they made other than appeals for voluntary cooperation in consecrations.

"...A balance of equilibrium of power, between the bishop and the people"²¹ was Smith's goal. Ideally, then, Bishop Partridge should have exercised some control in reaching a mutual agreement with members. He could, and did demand a detailed inventory of personal possessions to be consecrated, thereby attempting to discourage any hold-outs. But this control was meaningless in those cases of poor families making minimal consecrations—an almost overwhelming proportion of the immigrants.

There is only one surviving legal document recording an individual consecration and stewardship, belonging to a man named Titus Billings.²²

Upon entering the Order of Stewardships, Billings consecrated \$316.52 in personal belongings. All these items were subsequently "loaned" back to him as part of his stewardship as sufficient only for himself and his family. There was nothing left over to buy lands for Zion, to help in the support of the ministry, or to help in the support of the poor. Billings himself was poor. His consecrations weren't even enough to pay for the 27 1/2 acres of farm land he was given.

It was a constant hope that new converts would provide a new source of income. The church leaders continually called for the participation of the well-to-do. "The poor were considerable in number and the well-to-do naturally held back to see if the average would not improve so that all could be assured of a comfortable inheritance, but the poor increased in

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numbers and the wealthy declined to dissipate their savings." It would not be surprising if the church leadership found this state of affairs somewhat reminiscent of the Thompson, Ohio, experiment in which wealthy members backed out and reclaimed their property.

Surpluses and the Bishop's Storehouse

The maxim "from each according to his ability; to each according to his need" serves as an ample summary of the ideal underlying the annual consecration of surpluses to the Bishop's Storehouse. Each year, members of the Order of Stewardships were required by their initial covenant to render up an accounting of their year's production, and to consecrate all goods and profits above what was required for their own just wants and needs. These surpluses were turned over to Bishop Partridge and kept in the Bishop's Storehouse for future distribution.

The Law of Consecration and Stewardship as applied in Jackson County overestimated the capacities of human altruism. The extent of yearly consecrations was left completely to individual discretion. The only guidelines consisted of loose terms such as "just wants and needs," "frugality," and "simplicity." Voluntary cooperation was enjoined as the only means of perpetuating the commons of the Storehouse. If an individual decided to keep his surplus, he was entirely within his rights to do so, and "in the final analysis, the Order (was) powerless to enforce its basic stipulations."²⁴

Years later Brigham Young, who "never knew a man yet who had a dollar
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 of surplus property," commented on the success of voluntary cooperation in annual consecrations.

"Some were disposed to do right with their surplus property, and once in a while you would find a man who had a cow which he considered surplus, but generally she was of the class that would kick a person's hat off, or eyes out, or wolves had eaten off her teats. You would once in a while find a man who had a horse that he considered surplus, but at the same time he had the ringbone, was broken-winded, spavined in both legs, had the pole evil at one end of the neck and a fistula at the other, and both knees sprung."²⁶

The problems encountered by the Order of Stewardships led Leonard J. Arrington, presently the Church Historian, to make the following observation.

"Since the plan provided that each steward voluntarily consecrate his annual surplus, the faithful gave much, and the unfaithful little. A premium was placed on liberality and honesty. In the distribution of charity out of surplus, some demanded much, others little, and there was not always correspondence between need and participation in the consecrated surpluses."²⁷

The key sentence here is "A premium was placed on liberality and honesty." It was to any single participant's advantage to underestimate his surpluses and to overestimate his just wants and needs. Liberality and honesty were expensive, and those who joined in the practice of these

virtues were penalized by being placed at a competitive disadvantage to those who did not. By maximizing private benefits and minimizing private costs, many stewards were led to underinvest in the maintenance of the common surplus and to overinvest in its depletion.

Management Policies and Institutional Design

The problems associated with managing the communal Order of Stewardships focused attention on the need for a management agency. Religious and spiritual appeals and commandments were insufficient in ameliorating competitive self-interest on the part of individual stewards. So on April 26, 1832, Joseph Smith announced a new revelation instructing the establishment of the Central Council.⁴⁰ This Council was to "manage the affairs of the poor, and all things pertaining to the Bishopric, both in the land of Zion and in the land of Shinehah (Kirkland, Ohio)." Upon its conception, the Central Council immediately created the United Firm whose membership was identical, but whose duties were more explicit. These duties included: (1) supervision of the Bishoprics in Jackson County and Kirtland; (2) assistance to the poor; (3) holding Church properties in trust; (4) supervision of the establishment of the mercantile concerns in both Mormon centers; and (5) management of a steam mill, a tannery, a printing press, and urban and rural real estate.

The allocation of such extensive jurisdiction made the United Firm the governing agency of the Order of Stewardships. Not only was the Firm charged with the management of several of the community's vital business concerns, but it possessed ultimate control over the community lands and the community wealth that was held in the Bishop's Storehouse. The responsible and rational management of the Order constituted a "public good" which was not

sufficiently provided for by the free operation of the Order.

This newly formed institution was organized as a joint stewardship for its members. That is, initial financing came from church funds. The Firm drew upon the Bishop's Storehouse and consecrated surpluses to pay operation expenses and to provide for the needs of the members' families. It was hoped that the Firm would quickly become at least partially self-sufficient, presumably through the profits from the mill, tannery, printing press, and real estate. At this point further grants from the Storehouse would diminish and the Firm would operate largely on its own profits with any surplus profits consecrated to the Storehouse. Thus, the Firm was endowed with the two essential characteristics of a bureaucracy: (1) the finances were all, or in part, supplied by grants or sources other than profits from sales to its clientele; and (2) the income of its administrators did not reflect, or share in, any increment or decrement in the organization's profits.

As the main governing apparatus of the Order of Stewardships, this bureaucracy was responsible for its healthy functioning. Social welfare depended upon whether the Firm performed efficiently and in the best interests of the Order. In the communal system of the Order, the governing body would best serve the interests of the community by minimizing social costs and maximizing social benefits. The decisions made by the bureaucracy would therefore need to equitably distribute social costs and prevent the drain on resources by the noncontributing poor. Such decisions would have the advantage of reducing discontent and disruption.

We have suggested above several criteria by which the social efficiency of an institution can be evaluated. We will now analyze the United Firm against the criteria of accurate information, decision making costs, incen-

tives to function in the society's best interests, and enforcement of stipulations.

I. The quality of decisions made by an agency is directly related to the information available. Thus, the United Firm needed readily available and reliable information on markets, production, and labor. Clearly, the compilation and analysis of data required an organized technical staff. No such technical staff existed.

The five members of the United Firm were primarily religious leaders, mainly concerned with the establishment and viability of their new religion. With the possible exception of two members, the Firm could boast no outstanding business talents capable of solid management.

Operation of the Firm was further hampered by the wide dispersion of its members. While Oliver Cowdery and Martin Harris both resided in Zion, the other three remained in Kirtland. The distance between the two Mormon cities made communications extremely slow and general meetings rare. Zion seriously fell short of leadership as neither Bishop Partridge nor the two resident members of the Firm were given full authority over the Order of Stewardships.

II. When social cooperation is a goal, it is helpful to have a set of guidelines that outline the process by which decisions are made. These are referred to as decision rules. The rules, of course, would vary from one group to another depending, for example, on the relative importance of consensus or expediency. As committee members have long known and as Buchanan and Tullock have demonstrated, an agency that incorporates a relatively large proportion of its community in decision making, yields slow and tedious decision making.²⁹ On the other hand, centralizing authority and responsibility in a small agency produces a reduction of decision costs but affords important

disadvantages for the community. A critical part of institutional design involves an optimum balancing of these two costs.

The United Firm had only five members participating in decision making. Thus some interests were bound to be neglected. Perhaps the best illustration of its failure to equitably distribute social costs is found in the special case of Sidney Gilbert.

One of the United Firm's responsibilities was to oversee the Church's sacred publications. For this purpose they created the Literary Firm. Since the Literary Firm was not self-sufficient through the sales of its publications, the support for the four members of the Literary Firm and their families was made the responsibility of the mercantile establishment. Because the mercantile establishments in Zion and in Kirtland were under the jurisdiction of the United Firm, Sidney Gilbert, the manager of the one mercantile establishment in Zion, was obliged to comply with this directive.

In April of 1832, the United Firm borrowed \$15,000 at 6 percent interest to buy goods from New York for the stores. It was thought that future consecrations to the Order of Stewardships would enable the store in Zion to pay off its debts. Thus the Firm ordered that goods be sold to members of the Order on credit. Gilbert found this order increasingly difficult to comply with as consecrations were not sufficient to pay his store's debts to New York. The store constituted Gilbert's stewardship and it was therefore the only source of support for himself and his family. With the establishment of the Literary Firm, the store had the additional burden of providing for four other families. The directive to assist the poor by extending credit again and again was a crushing blow.

Gilbert tried to solve his problem by halting credit and demanding payment. He also complained bitterly to Joseph Smith of the United Firm's

policies. In reply, Joseph Smith chastized Gilbert severely for his lack of faith and ordered him to repent and trust in the Lord. He also ordered the extension of more credit. To pay the debts of the mercantile establishment, more money was borrowed in the hopes of future improvements in the financial condition of the Order. These improvements did not occur.

III. Managers must be provided with good information and adequate incentives if they are to perform in the best interests of their clientele. In the absence of effective incentives, the agency will likely operate at a low level of efficiency. Appeals to the public interest are generally insufficient in generating motivation, especially if the public interest is at odds with, or only loosely related to the individual's private interests. In general, the key to effective bureaucracy is to have the bureaucrat's self interest inextricably intertwined with the success of its management policies.

Had the United Firm been engaged in a purely market situation in which the personal incomes of its members directly reflected the successes or failures in policy, fluctuations in these incomes would have provided a strong incentive for efficiency. However, since the support of the Firm was guaranteed by the Order, this incentive was removed. In fact, success in this situation may have proved a negative incentive. (If the Firm had indeed become self-supporting, the security of a guaranteed income coming from the Church would have been absent.)

In the absence of a strong economic incentive, the United Firm had its motivation in the religious nature of its mandates. The duties of the Firm were God-given and thus prudence was best served by obedience to the command. It is always wise to obey the vague directives of someone as powerful as God, just as it is foolish to question His judgment. In addition to

this incentive, the members of the Firm had a large measure of credibility to maintain with their followers. As God's instruments they were expected to function efficiently. Failure to do so would generate doubt and skepticism.

But again, this incentive tended to operate inversely. As already noted, these men were religious leaders primarily concerned with religion. Economic concerns were secondary. Perhaps the assumed divine guidance and inspiration tended to shift the burden of responsibility from the Firm to God. After all, He had promised them prosperity. Success was regarded as inevitable as long as the people remained faithful to their religion. Problems and internal strife were treated as signs of unfaithfulness, and spiritual faltering. Rather than adjusting management policies to increase efficiency, the church's leaders called upon the members of the Order of Stewardships to repent of their selfishness and trust in the Lord.

IV. Wise management policies are meaningless unless the agency has some method of enforcing its stipulations. Repeatedly emphasized throughout this analysis has been the problems associated with the reliance upon voluntary cooperation in achieving the goals of the Order of Stewardships. Voluntary cooperation in this case failed. Too many individuals found it to their personal advantage to ignore the appeals for cooperation. Those who did voluntarily cooperate with the Law of Consecration and Stewardship were placed at a competitive disadvantage. Unselfishness was expensive. And the costs to the productive members increased in proportion to the increase in the numbers of nonproductives.

The performance of an agency such as the United Firm can be evaluated by its degree of success in achieving its stated goals, namely, responsible management and supervision. All the factors of efficiency listed above

can be taken into account in the evaluation. In the final analysis, however, the best criterion for evaluating the agency's performance is the health and well-being of that which it was managing, the communal Order of Stewardships.

The Order was a victim of the tragedy of the commons. It attempted to implement a level of human altruism that proved unattainable. The motivations to substantially contribute to the success of the Order through consecrations were in direct opposition to the motivations for maximizing personal success. For the two years that the United Firm was in operation it lost money consistently and proved incapable of relieving the problems plaguing the Order of Stewardship.

The Mormons suffered continual and ever-increasing opposition and persecution by their non-Mormon neighbors in Jackson County. In early 1834, hardly three years since its birth, the Order of Stewardship was abruptly ended by the expulsion of the Mormons from the county. The United Firm was dissolved and its properties were divided among its members. The Law of Consecration and Stewardship was suspended by revelation on June 22, 1834.³⁰ To provide an alternate source of church funds, Joseph Smith instituted the Law of Tithing,³¹ and later forbade any further attempts at establishing the Order of Stewardships.³²

A befitting epitaph was written by a bitter and disappointed member of the Order.

..."calculation after calculation has failed, and plan after plan has been overthrown, and our prophet seemed not to know the event till too late. If he said go up and prosper, still we did not prosper; but have labored and toiled, and waded through trials, difficulties and temptations, of various kinds, in hope of deliverance."³³

We hope to have explicated how the best of intentions may run amuch due

to a failure of institutional design. The following section will demonstrate how the goals of a communal order may be achieved through appropriate institutional design.

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The Hutterian Communes

In marked contrast with the Mormon's failure at communal organization is the success of the Hutterite communes. These groups, also based on revolution and theological dictates comprise a highly successful and fast growing set of agricultural enterprises. Although the Hutterites must also face the problems inherent to the logic of the commons, they have evolved a set of institutions adequate to the test.

The two hundred agricultural colonies of the Hutterites are spread throughout the northern Great Plains of the United States and Canada. From their initial three small settlements established in the Dakota Territories in the 1870's, they have, without benefit of converts, expanded to a population of over 20,000, their population and per capita capital holdings nearly doubling each sixteen years. Their life style is marked by extreme simplicity and frugality but not hard work by North American agricultural standards. While the life expectancy of communal orders is brief indeed, the Hutterite communes of North America have persisted and prospered for nearly a century. In addition to the establishment of a collectively run, viable economic system, the commonly disruptive centrifugal effects of political conflict have been managed without the cost of collective paralysis.

In any traditional society it is relatively difficult to distinguish

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economics from politics, especially in a communal context. While communal groups may succeed in erasing distinctions of wealth by making all goods part of the common pool, all allocating decisions are forced into the political sector. Upon this problem many communes fail. The Hutterian solution may be

especially instructive to those who aspire toward the communal life. A Hutterite commune exists as a total institution organized in accordance with the principle that among Christians, goods should be public goods. Obtaining his support from the Book of Acts, a Hutterite minister has stated that, "This apostolic Church (of Peter) was communal in its character and organization; it taught through the Holy Ghost that all things should be held in common and shared by all as each had need. It was the first Christian collective living" (Gross, p. 145). The Hutterites credit themselves with restoring this Church in 1528. The institutions of the colony are operational statements of its moral code.

Individuals are born into a Hutterite colony; the Hutterites thus need not decide who will share the public goods. The Hutterites freely acknowledge that "All wheat has chaff" and they provide an individual with an option to leave. Should this decision be made, however, he has no claim on the benefits provided by the colony, nor may he take any resources upon leaving.¹⁰

The organization of the Hutterite system reflects an especially good understanding of social behavior. For example, they acknowledge that the efficiency of their enterprise decreases if the size of a colony is much below sixty or above one hundred and fifty. The former problem is accounted for by lack of specialization and economies of scale. Problems with the upper limit, however, may involve a less obvious explanation.

The relation between the size of a group and its productivity is discussed in Mancur Olson's The Logic of Collective Action (pp. 53-65). With reference to a committee meeting Olson has stated that "When the number of participants is large, the typical participant will know that his own efforts will probably not make much difference to the outcome, and that he will be affected by the meeting's decision in much the same way no matter how much

or how little effort he puts into studying the issues" (p. 53). The implications of this are as follows: "The decisions of the meeting are thus public goods to the participants (and perhaps to others), and the contribution that each participant will make toward achieving or improving these public goods will become smaller as the meeting becomes larger" (p. 53).

There is a saying commonly heard among Hutterites: "All colonies (especially "other" colonies) have their drones." Further, it is recognized that the number of "drones" increases more than proportionately with an increase in colony size. Given that: (1) all goods are in the common pool, (2) individual economic incentives are minimal, and (3) material differentials are outlawed, a rational, maximizing person would operate to maximize his pleasure, including leisure. Included in such self-seeking activities are trips into town or to a neighboring ranch to "check on" or "pick up" something allegedly relevant to his assigned task. In such circumstances, a necessary part is more likely to "need" immediate replacement when the boss and/or preacher are absent or otherwise engaged.

In a relatively small colony, the proportional contribution of each member is greater. Likewise, surveillance of him by each of the others is more complete and an informal accounting of contribution is feasible. In a colony, there are no elaborate systems of formal controls over a person's contribution. Thus, in general, the incentive and surveillance structures of a small or medium-size colony are more effective than those of a large colony and shirking is lessened.

In the following section, we attempt to show the manner by which the traditional Hutterite political structure operates. The basic argument is that colony life is so structured that the best strategy for the individual colony member coincides rather closely with the interests of the corporation.

The existence of scarcity, or the absence of satiety, virtually guarantees the existence of conflicts-of-interest among people with differing tastes and abilities. In a society without private property, where so many decisions are collective and thus politically made, these conflicts do not disappear. Instead, the increased interdependence expands the scope and the intensity of the political problem as it decreases the need for, and importance of, private decisions. In a commune, with minimum privacy and maximum interaction, conflicts on how things should be run must be made to generate as little animosity as possible. This requirement is not an easy one to meet. Under any decision rule, choices contrary to any particular individual's interests will be made.

To survive, then, the Hutterites must choose, and successfully operate with decision rules which handle conflict with minimum propagation of rancor, but which yield rational, reasonably prompt decisions.

As we suggested in our discussion of the United Firm, and using external costs to mean labor, drudgery, or deprivation resulting from the action of others, when the decision rule is such that unanimous agreement is required for action, the expected external costs for any individual from an agreed-upon action approach zero. As a corollary, any individual has the capacity to preclude the enactment of a decision. We assume that the individual

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engages in a calculus that includes himself as a beneficiary.

In addition to the external costs borne by the person in a situation of collective action, every individual undergoes some costs in the form of effort in arriving at a decision. Leaving aside the subjective effort endured by an individual when making up his mind, there remains an additional cost. When more than one person is required to agree upon any given decision, time and effort are involved, and the time and effort required appear to be rapidly increasing functions of the size of the group. When

the consent of the entire group is required for agreement, these costs may be very high indeed. When consensus in this situation is required, any given member in an attempt to maximize his advantage may attempt to extract an exorbitant price (up to the sum of joint-action benefits) for his agreement. Clearly, forms of leadership requiring less than unanimous decisions have significant advantages.

Levy has stated that "In general the recruitment, ideally and actually, of the leadership roles of the government on the basis of predominantly universalistic criteria is quite modern and quite rare" (p. 453). Yet if the Hutterite system is to remain viable in a modern and highly competitive setting, it is increasingly important that the positions of leadership be rationally allocated. The Hutterites have demonstrated the consistent ability to make relatively rational decisions in two crucial areas: (1) the selection of the colony head, and (2) the distribution of persons at the time of branching. Each of these decisions is pregnant with danger, for the stakes are high and the decisions are binding and inclusive. Not only must they decisions be rational in a technical sense, but also they must not split the colony into warring factions.

We now turn to an examination of decisions in Hutterite colonies and attempt an accounting of their decision costs and the basis for rational decisions.

Fearing God, having Him in our heart and constantly before our eyes, we shun all sin and evil. This is law enough.

However, we maintain that wherever there are people, especially so a group of different individuals, they must have and keep rules and ordinances and a constant regulation for the affairs of daily life. (p. 39)

The author of the above passage is Paul Gross, Senior Preacher at the Espanola Hutterite Colony. His statement could serve as the preamble to the

constitution of the Hutterite political system.

The dominant position in the colony hierarchy is that of preacher. He is charged with general responsibility including the settlement of personal disputes, the conduction of rites of passage, and political contacts with the world outside the colony.

Next in authority is the householder, or manager or "boss." The individual in this position manages the accounts and advises regarding the prudence of suggested purchases. It is either he or the preacher who negotiates with banks, implement dealers, feed mills, cattle buyers, insurance salesmen, realtors, tax assessors, and the buyers of produce. In the past, when relations with the outside could be restricted primarily to commercial transactions, the householder was commonly the only representative to the outside. He is also the person who received the local and regional paper reporting grain and livestock prices.

The field boss is next in line. His work is closely coordinated with that of the manager and is roughly comparable to that of the foreman on a large ranch. Below the field boss are the various department heads, e.g., cattle boss, hog boss, chicken boss, each in charge of his own enterprise.

On approximately this level is the German school teacher, who in addition to his teaching duties before and after the regular school day is assigned responsibility for the gardening—a major activity for the colony.

Individuals in these positions plus several of the department bosses form the council, the voting body of the colony. It is members of this group who weigh the relative advantages of a \$30,000 combine or an addition to the milking parlor.

Judged upon the criterion of success in meeting problems, and given the premises from which they operate, the major political question faced by the

Hutterites (like that of the United Firm) becomes: How do we give God an Indiana University Masters in Public Administration?

It was noted above that the Hutterites in a colony are continually in very close contact. Meals are communal and the other fellow's privacy has a negative value, for privacy is conducive to sin and each Hutterite has responsibility for the soul of his brethern. If such a society is not to break, competition and conflict must be minimized. If leaders were to compete for office, substantial maneuvering for winning coalitions could be expected. And there is little that could do more to create factions than attempts at coalition building. Thus, if tranquility is to be preserved, an alternative to protracted negotiation must be found for the selection of leaders.

Every political system must identify the actors who are assigned primary decision making roles. There are, of course, methods which deny those subject to the decision the responsibility for the selection of decision makers. Given a relatively simple system with little coordination of roles necessary, selection may be based upon ascriptive characteristics, commonly sanctified by God.

As an alternative, the decision may be left up to God by enabling Him to render an opinion via a random generating device. Given the existence of differential competence and ambition among individuals, it is helpful to place a mechanism of constraint on such a selection process. Purely ascriptive or purely random criteria for leaders seem unlikely components of any viable political system in a highly modernized context.

For the Hutterites, all authority originates from God. Governmental authority is believed to have been ordained by God in his wrath to take vengeance on the evil and to discipline the godless. The granting of the franchise is consistent with this orientation. Baptized members have received

the spirit and therefore have a measure of power and responsibility. Only the baptized males are eligible for departmental positions such as hog boss and only they can vote.

With the very important exception discussed below, positions are filled by election. The council, which is also elected, initiates changes in appointments to lesser positions, executes justice, and determines who can go into town.

Due to the rapid growth in population and the upper limit of 130 to 175 persons who may live in a single compound, each colony must branch each fourteen to eighteen years.

Upon splitting, a parallel structure is established and a new preacher selected. It would be difficult to overemphasize the importance of the preacher's position. This is especially the case given that one commonly finds the preacher holding the householder's position during the first few years of a colony's existence.

Although there is some variation among the three leut or endogamous groups of colonies, the following is representative. At the time for selection, a group of preachers from nearby colonies assemble at the colony where the selection is to be made. Nominations of the baptized males of the colony are offered. If deemed satisfactory by the visitors, these individuals are entered as candidates. After all nominations are in, votes are cast by the local males and visiting preachers. The persons receiving five votes or more are entered in the runoff where, from the perspective of the Hutterites, God casts the deciding ballot.

For each individual in the final round there is a piece of paper put into a hat. On one piece is inscribed the word "Preacher"; the remainder are blank. Each candidate then draws a slip. After all have been drawn, the

papers are unfolded and the preacher is known.

Given the relatively stable resource base common to agriculture, an increase in population puts a strain on existing facilities. Thus, for example, only one of the boys could stay on an Irish farm during the last century. In the United States today even one is usually one-half too many. Thus, given their traditional mean completed family size of 10+, it is essential that provision be made for population increment. Among the Hutterites the technique is called "branching out." In addition to providing additional resources, the split permits a solution to factionally aligned conflict. For example, a colony had recently acquired land 100 miles away. They expected to put out a daughter colony in 1970. In June, 1968, the branching had already occurred and half of the original colony was living in partially completed apartments at the new colony. It seems that a serious disagreement had broken out among the elders. The closeness and frequency of contact of the colony was such that an early departure was the viable alternative to paralysis by disharmony. Given that a very large capital outlay (about \$800,000) is required to capitalize a fully equipped colony, fragmentation by other than carefully planned bifurcation is prevented. Further, departure by the malcontented is severely inhibited by the fact that an individual has no claim to the corporate assets after leaving.

As suggested above, political matters may be at least as important as economic necessity in creating a decision to branch. There are only a limited number of managerial roles available within any colony and election is for "good behavior." Thus, when the population of baptized males exceeds the number of leadership roles by an unknown but potentially predicatable margin, problems involving the coordination and allocation of responsibility increase. Eventually severe strain is generated. Hutterites realize that branching should occur before the organization becomes unwieldy.

The life cycle of a colony goes through three stages. First is the period just after branching. During this time debts are large and resources small. Therefore when a new colony is established, Hutterites must labor only slightly less diligently and energetically than their neighboring farmers and ranchers. (The highly mechanized work routine of the Hutterites normally requires relatively little effort per worker.) In addition, new methods of farming must be worked out for what is a more or less different terrain, new accommodations must be sought with new neighbors and within a new political district, and an environment with substantially less in the way of creature comforts must be accepted.

The second stage is that of consolidation, capital improvement and increases in comfort. For example, running water is sometimes brought into the homes. The third, fourth and fifth combines are added so the harvesting shift may be reduced from eighteen hours to ten, and additional labor saving machinery is added in the kitchen.

The third stage is devoted to the selection, funding and building of a daughter colony. The actual division, like the selection of a new minister, is of sufficient importance and delicacy to merit the direct intervention of God. By the time this stage is reached, eight to fourteen years after the last branching, the colony is often divided into two kin-based factions. For the reason cited above, each faction has an incentive to remain at the mother colony.

It is common for the mother and daughter colonies to divide the debt incurred in the establishment of the daughter colony. The mother colony, however, is a proven and productive ongoing enterprise. Although the labor pool of the mother colony will be reduced substantially by branching, there is relatively little danger of overwork—especially since one of the primary

factors precipitating division was an excessive number of individuals for the number of productive roles available. Even after division, the man/work ratio will be much higher in the mother colony than on surrounding farms and ranches.

In the daughter colony, however, the situation is less favorable. A portion of the land at the time of purchase is likely to be marginal or submarginal. Often land must be hacked out of the bush. Although the nucleus farm buildings will have been constructed prior to the actual division, facilities for both livestock and humans will be relatively spartan. Fences must be built, stock ponds and corrals constructed, and, in addition to these obvious capital improvements, the entire complex of largely unplanned but nearly essential sheds, poles, trenches and lanes have yet to receive attention. Thus, there exist clear and present advantages to those individuals who remain at the mother colony. Therefore, the selection of migrating individuals could be filled with tension, with conflict and with charges of favoritism. Each of these factors could seriously disrupt the highly interdependent network of relationships that are requisite to the successful functioning of their social order.

In dealing with the process of division, there are two basic sets of choices. First, there is the question of division into two groups with a preacher at the head of each. The rules for division prescribe that nuclear families are not to be split and that the two groups are to be nearly parallel in regard to demographic variables. In addition to spreading responsibility for the maintenance of non-productive persons, the latter rule also guarantees that a basis for cultural continuity is provided by keeping at least three generations in constant contact. In the making of these two groups, informal measures are employed. This is possible since (1) everyone knows the rules, and (2) most adults claim to have an intuitive appre-

elation for the need for demographic balance.

The second of these decisions involves the determination of which group will go to the new site. A few years ago some of the Canadian colonies attempted to determine the outcome by arriving at mutual consent. This maneuver opened negotiations and protracted bargaining ensued. Once it was recognized that negotiations for preferential facilities were possible, the sanctity of the decision mechanism broke down. The price of consensus was protracted and bitter discussion. In the end, it is reported that few were satisfied.

There is, however, a way to avoid the above decision costs. The Hutterites, in accordance with their typically pragmatic orientation, act as though they are cogently aware of rules for institutional design. As mentioned above, the basic facilities of the new colony are erected prior to permanent habitation. To preclude systematically divergent outputs based upon expectations of residence, no one knows if he will live on the old or the new colony until the date of departure.

Prior to departure, the members have divided themselves into two parallel groups. On the day before departure everyone in both groups packs all personal belongings. The following morning, the junior and senior preachers heading each group meet in the school house-church, pray for divine attention, and draw a slip of paper from a hat. One slip says "go," the other "stay." The group destined to stay helps those leaving in the loading of trucks. With prayers and tears, the division is completed with each segment professing confidence that the will of God has indeed been expressed and that His people will continue to enact this bidding while transient participants in His earthly sector.

The charter of the Hutterites provides a suitable guide for the two extremely important decisions to be made by each colony during each cycle. The first is the selection of the new minister prior to division. The second involves the allocation of individuals upon division of the colony. Each

of these decisions must be made in reference to the primary value given the cohesive quality of the colony. Thus, the absence of overt, disruptive conflict is paramount in the decision making process. The Hutterites cannot allow the situation to reach the point of binary opposition. This is accomplished by structuring the situation in such a manner as to have decisions made by chance with the accompanying assumption of God's active intervention. This intervention by God guarantees the legitimacy of the decision.

In selecting which group migrates there is little problem for the field of choice includes only two alternatives. The selection of a minister is more complex. The Hutterites are fully aware that all who are ascriptively eligible are not equally competent for governing roles. Therefore, the field is narrowed so as to make the task easier for God. In this way, the decision God makes will be relatively rational and the cost in terms of deliberation and bargaining will be kept to a minimum. In this manner, consensus can prevail, legitimacy will be attained, and traditional communal arrangements maintain viability.

Conclusion

Any society devoted to permanence and continuity must be economically viable. Optionally, the perceived opportunities and benefits flowing from membership in that society will be attractive to the individual participants and individual maximizing strategies will harmonize with social goals. Briefly, under these conditions individually rational behavior will be collectively rational. General equilibrium models demonstrate that under restrictive assumptions private exchanges in a competitive economy lead to Pareto optimum solutions. The assumption yielding this result is the independence of producers and consumers. Obviously then, the common property feature that distinguishes communally organized societies creates a special set of problems.

Because the economic systems of communal societies define a high proportion of their resources of common pool resources, they have amplified the problem of harmonizing private with collective rationality. To solve these problems special institutional arrangements must be designed. Management policies must concurrently protect the common pool resources from exploitation while permitting beneficial utilization by individuals drawing from them.

The Mormon's Order of Stewardship and the Hutterian bruderhof provide a sharp contrast in the success of their institutional designs. While the Mormons seem to have assumed that changes in individual behavior would follow from changes in expectations for behavior, the Hutterites developed an intuitive appreciation for man's "carnal" or selfish nature. They evolved a set of institutional arrangements which ameliorate the dysfunctions of individual maximizing strategies in a commons and align them with the collective welfare.

When the Order of Stewardships failed to effectively limit its membership, it invited and actually encouraged the congregation of the poor.

These people drew excessively upon the limited resources of the Order without making commensurate contributions to its maintenance and perpetuation. The Hutterites, in contrast established an upper limit to the population of any single community. By adhering to this upper limit, and branching out whenever it is exceeded, the Hutterites have facilitated the development of an informal system of surveilling individual work habits and contributions. Although it is accepted that "all colonies have their drones," the number of drones is effectively held to a minimum and those that exist are subject to informal pressures to produce.

Because the Mormons relied so heavily upon a system of voluntary cooperation in the production and allocation of goods and services, it became possible and profitable for any individual to withdraw cooperation and exploit the system. Such strategies, though individually beneficial in the short run, were collectively disastrous. To keep individual economic incentives to a minimum, and thus avoid damaging exploitation, the Hutterites rendered all goods and properties public and have disallowed significant differentials in material accumulation. One can realize only those benefits that are available to all other members of the colony.

Of eminent importance in any communal setting are the management policies and decision making capacities. The Mormons encountered two major errors in the management of the Order of Stewardships. First, membership in the governing body was determined solely through appointment by the revelator. Further these appointed to positions of responsibility did not confront incentives to function efficiently in the economic interests of the Order. They were hampered not only by the geographical barrier separating the two cities, but also by their primary interests in religious rather than economic considerations. The second source of error arose as a result of the high potential

deprivation costs generated by management policies. Although costs in terms of deliberation and bargaining were minimized by the small size of the governing body, costs in terms of disproportionate deprivations to particular individuals were high.

The Hutterian system for allocating the position of head preacher employs a balance between rationality and revelation. Achievement records of candidates narrow the field of possibilities and fosters rational selections. To avoid conflict and rancor, God makes the final decision and manifests His will through the drawing of lots. Other positions of responsibility are filled by election. Since all baptized males have a vote, all enjoy a degree of participation in management. This acts to minimize deprivation costs to individuals. Bargaining costs are minimized by employing the elected council in most decisions, and by incorporating a measure of chance defined as divine intervention.

FOOTNOTES

- ¹Garrett Hardin, "Tragedy of the Commons."
- ²Vince and Elenor Ostrom.
- ³John Whitmer, John Whitmer's History, MS, Chapter II.
- ⁴D & C 40:30-32.
- ⁵The Order of Stewardships is variously known by other names such as the United Order, the First United Order, the Order of Consecration and Stewardships, and the Order of Enoch.
- ⁶D & C 40:30-32.
- ⁷D & C 51:1-3; 82:17.
- ⁸D & C 42:32; 51:4.
- ⁹D & C 51:5.
- ¹⁰D & C. 42:33-34, 55.
- ¹¹D & C. 83:6.
- ¹²D & C. 42:30-35.
- ¹³D & C. 57:1-5.
- ¹⁴D & C. 46:71; 66:11; 62:4; 63:24; 133:12.
- ¹⁵D & C. 49:25; 97:18; 105:32.
- ¹⁶D & C. 63:24.
- ¹⁷The Evening and Morning Star, I (July, 1832), 6.
- ¹⁸John Corrill, A Brief History of the Church of Christ of Latter-Day Saints, (St. Louis: printed for the author, 1839), p. 18-19.
- ¹⁹The Evening and Morning Star, II (July, 1833), p. 6-7
- ²⁰Joseph Smith, History of the Church, I, p. 364-365.
- ²¹Ibid., p. 364-365.
- ²²Ibid., p. 365.

- ²³Joseph A. Geddes, The United Order Among the Mormons, (New York, 1922), p. 43-44.
- ²⁴Ibid., p. 149.
- ²⁵Brigham Young, Sermon of April 17, 1873, cited in Journal of Discourses, Vol. 16, p. 11.
- ²⁶Brigham Young, Sermon of April 1854, cited in A. L. Neff, History of Utah 1847 to 1869, edited and annotated by L. H. Greer (Salt Lake City: The Deseret News Press, 1940), p. 541.
- ²⁷Leonard J. Arrington, Mormon Economic Politics and Their Implementation on the Western Frontier, 1847-1900, (Chapel Hill, 1952), p. 365.
- ²⁸D & C. 82:12.
- ²⁹James Buchanan & Gordon Tullock, Calculus of Consent, University of Michigan Press 1962.
- ³⁰D & C. 106.
- ³¹D & C. 119.
- ³²Joseph Smith, History of the Church, IV, p. 43.
- ³³John Corrill, A Brief History of the Church of Christ of Latter-Day Saints, (St. Louis: printed for the author, 1839), p. 48.
- ³⁴This section draws from John Baden and Richard Starp "Choice, Faith and Politics: The Political Economy of Hutterite Communes" Public Choice, Spring 1972 pp. 1-11.
- ³⁵John Bennett Hutterian Brethren is recommended to the reader as the study of the economic system of the Hutterites.
- ³⁶Net attrition has been roughly 5 percent.
- ³⁷This section draws heavily upon the conceptualization presented in James M. Buchanan and Gordon Tullock, The Calculus of Consent (esp. pp. 63-116.)