

On the (lack of) stability of communes: an economic perspective / Ran Abramitzky*

1. Introduction

This paper uses an economic perspective to shed light on the conditions under which communes that strive for equality and cooperation are stable, how they persist, and why they often collapse. It presents a view of communes as communities striving for internal equality¹ while mitigating the inherent problems associated with a high degree of equality/redistribution, namely the tendency of more productive members to leave (brain drain), the tendency to shirk (moral hazard), and the tendency of less productive individuals to join (adverse selection).² The economic framework also explains many of the characteristics of communes discussed in the historical and sociological literature. The framework was developed in Abramitzky (2008, 2009b) to study the Israeli kibbutzim; this paper applies it more broadly to the study of communes.

Equal sharing of resources subjects communes to brain drain, adverse selection and free riding (moral hazard), which threaten to dissolve them. These inherent problems meant most communes in history were short lived. Communes that were better able to structure themselves to solve these problems, such as the Hutterites, lasted longer and were more successful (e.g. Oved 1993).

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¹ A formal definition of communes does not necessarily require that they strive for internal equality amongst members. However, the majority of communes throughout the course of history had internal equality as one of their founding principles. See Oved (1993) for numerous examples.

² The literature on the selection and incentive effects of equal sharing include Lazear (1986, 2000a, 2000b), and Holmstrom (1982). See Prendergast (1999, 2002) for a survey on the literature of the provision of incentives in firms. For laboratory experiments on free-riding, see, for example, Fehr and Gächter (2000). See Abramitzky 2009b for insights from the kibbutz on the selection and incentive effects of equality.

Communes' attempts to solve these problems explain many of their common key features, such as their constant struggle between isolation from and adaptation to outside influences³, their homogeneity, their reliance on ideology and religion, rituals, size, their communal ownership of property, and the commune-specific human capital of their members.

A key goal of this paper is to illustrate how ideology and religion play important roles in alleviating brain drain, adverse selection and moral hazard. First, ideology and religion increase members' perceived value of living in the Commune (their inside option), thereby alleviating the brain drain problem. Second, they serve as hard-to-fake signals of commitment to the commune, thereby alleviating both adverse selection, by excluding free riders in entry (Iannacone 1992; Berman 2000), and moral hazard, by promoting loyalty and norms of cooperation (Sosis 2000; Sosis and Bressler 2003). Furthermore, because it seems plausible that religious rituals are typically more difficult to fake than socialist rituals, religious communes have generally been more successful than socialist ones.

The focus is on communes in North America since the mid 1700s and the Israeli kibbutzim, mainly because these are better documented than communes in earlier periods. Because the history of communes in the US and Israel has been discussed extensively elsewhere, I do not describe in detail the various communes. An online appendix introduces briefly the American communes mentioned in this paper. For a comprehensive history of American communes in the last two centuries, see Oved (1993) and Pitzer (1997). For a comprehensive history of the kibbutz movement in Israel, see Near (1992, 1997).

³ This struggle also reflects some communes' aspiration to influence the outside world with their ideology.

2. Brief Background

American Communes have existed continuously since the mid 1700s. Freedom of religion in the US and the fact the US was an immigration society served as an opportunity for many sects, who were religiously persecuted or oppressed in Europe, to settle their communities in the US, where they can practice freely their beliefs. In addition, the abundance of land and opening up of the West were ideal for communes that needed to acquire land at fairly low prices and space for their isolation.⁴ The Shakers were the first long-lived communes; as a large-scale movement, they survived for seventy years.⁵ In the beginning of the 19th century they were joined by Harmony, Zoar, and Amana, and later in the century by the Oneida and Hutterite communes. Socialist communes began to appear in the US in the 1820s, and later in the century more communes were established by socialist European migrants, e.g. by the Icaria movement, which had been founded in France.

Although most communes failed early, some communes, such as those mentioned above, survived for relatively long time. However, many communes that were successful for some time eventually declined. The only communes in the US that still exist today and date back to before the 20th century are the Hutterites. A number of important principles characterize the Hutterites: communal ownership of all property; equality in the distribution of resources; strong religious ideology; reluctance to absorb new members unless candidates demonstrate strong commitment to the commune; complete education and socialization within the commune; maintenance of the appropriate

⁴ Geographically, communes were dispersed in the US throughout history. However, many chose to settle in more isolated regions, even when settling in the more populated East coast, and some (Harmony, Amana) even relocated to the West out of motivation for greater isolation.

⁵ By 1920, only 12 Shakers were left.

membership size for the communal framework; and high fertility rates. The Hutterites adhered strictly to these principles, but incorporated mechanisms to relieve pressure and accommodate the needs of young members. In addition, their economic prosperity and their openness to integrate the newest technologies into their agricultural practices brought forth stability to commune members.

It is interesting to note that some of these factors have been key in the survival of the Israeli kibbutzim in the 20th century. Kibbutzim too were established by European immigrants who wanted to establish a more just society based on the Marxist principle “from each according to ability, to each according to need.” Kibbutzim were also based on the principles of equal sharing and communal ownership of resources. They too have been reluctant to absorb outsiders unless candidates demonstrated strong commitment to the commune’s way of life. Like the Hutterites, kibbutzim had their own education system, where they tried to instill their values in their children, and traditionally few members pursued higher education. Unlike the Hutterites, however, kibbutzim responded to changes in their environment by gradually reforming and shifting away from equal sharing (albeit maintaining a substantially higher degree of equality than the outside world), rather than gradually increasing isolation as the Hutterites did.

This tension between isolation and assimilation is common to all surviving communes (Kanter 1972, Oved 1993). The framework used in this paper, which views communes as organizations maximizing equality subject to participation constraints (no brain drain), adverse selection constraints and no moral hazard constraints, helps explain this tension and rationalizes the communes’ choices of increased isolation or increased

assimilation in response to changes in their environments. I will expand on this point below.

3. Communes as organizations providing equality while mitigating brain drain, adverse selection and moral hazard

Consider a commune that desires equality in the distribution of resources, say, because it wants to provide members with insurance or because it has preferences for redistribution. The commune chooses a sharing rule (degree of equality) and a set of internal rules and norms to mitigate three problems: brain drain, adverse selection, and moral hazard. Thus the commune is subject to a participation constraint (no brain drain), an adverse selection constraint, and an incentive compatibility constraint (no moral hazard). A higher degree of equality makes the problems of brain drain, adverse selection and moral hazard more severe. Thus, the commune faces a trade-off between equality and incentives, and it needs to design its rules and norms while accounting for both.

This simple conceptual framework was shown (Abramitzky 2009b) to rationalize many of the key principles of kibbutzim, the timing of their recent shift away from equal sharing, and the differences between kibbutzim in the degree of this shift. Here I illustrate that this framework also rationalizes the factors that are believed to have affected the stability of US communes over the last two centuries. Furthermore, I discuss in more depth the roles of ideology and religion in the stability of communes. Unless noted otherwise, the factors affecting the stability of US communes are drawn from Oved's comprehensive work, "Two Hundred Years of American Communes" (1993) as well as Pitzer's collection of essays in "America's Communal Utopias" (1997).

3.1. Brain drain, adverse selection and moral hazard in communes

Two potentially conflicting principles of communes are their voluntary nature (i.e. at-will employment or in other words living in the commune is a choice) and the equal sharing of the resources of the commune. Specifically, combining equal sharing with free exit potentially threatens the stability of communes through brain drain.

More productive members have stronger incentives to leave their communes, because there they have to share their earnings with less productive individuals (brain drain). Indeed, Murray (1995) shows that literate members of the Shaker commune in 19th century America were more likely to exit, and Abramitzky (2009a) shows a brain drain process in kibbutzim in the 1980s and 1990s, when more educated and skilled members were substantially more likely to leave. In Pitzer (1997) there are also mentions that those leaving Bishop Hill, a religious Swedish commune, were primarily men, who had a greater chance to manage on their own outside of the commune. In *Woman of the Wilderness*, a religious commune established in the late 17th century, Oved (1993) explains that the first to leave were from among the intellectuals. Such a brain drain process threatens to leave communes with only the least productive members.

Similarly, less productive individuals living outside of communes are expected to be the first to seek to enter communes, where they expect to be subsidized by more productive individuals (adverse selection). Indeed, Murray (1995) shows that illiterate individuals are more likely to enter the Shaker communal societies, and Abramitzky (2008b) shows that individuals who earned lower wages were more likely to enter kibbutzim.

Brain drain and adverse selection are aggravated when economic conditions outside the commune improve, as this is generally accompanied by an increase in the

returns to skills outside the commune. Indeed, greater exit can be found in Israeli kibbutzim when Israel's economy became more high-skilled-focused with an emphasis on high-tech industries and greater returns to skills. Similarly, Equality, a socialist commune, was established in Washington State at the end of the 19th century, a period of economic expansion for the state; consequently, the more talented and professionals who could earn their living outside the commune were tempted to leave (Oved, 1993). The decline of Sunrise, an anarchist commune in Michigan established during the depression era, was partially attributed to its close proximity to Detroit, which experienced a great resurgence in the auto industry as the depression came to an end (Oved, 1993).

Equal sharing also reduces members' incentives to work hard, because there is no link between their earnings and their contribution (the moral hazard or free rider problem). This problem of "parasites" has always bothered commune members and has been noted by scholars (Lieblich 1981, Barkai 1986, Iannacone 1992, Berman 2000, Sosis 2000, Keren, Levhari, and Byalsky 2006, Abramitzky 2008, 2009b), although no decisive evidence of free riding has been found.

3.2. Communes' institutional design

The exit option threatens the stability of communes because it exposes the communes to possible brain drain (Oved 1993, Murray 1995, Abramitzky 2009a). This may explain why in systems like the Russian Kolkhozes and the Chinese household registration system (*Hukou*), exit was prohibited. That is, when members are not permitted to exit, brain drain and satisfying the participation constraints are non-issues,

and equality is thus easier to maintain⁶. However, communes have always been based on voluntary participation and so have had to deal with the problems of brain drain and adverse selection.

To deal with the adverse selection problem, successful communes were generally very selective in their admission of outsiders (Oved 1993, Abramitzky 2008), or were more likely to admit individuals who were young, either as young adults (e.g. kibbutzim) or children (e.g. Shakers), and thus who were homogenous in their expected productivity. Moreover, communes sometimes require a trial period which provides information on the intention and character of candidates. The few communes that were less selective, such as New Harmony, a socialist commune established where the Pennsylvania Harmony commune originally settled, and Christian Commonwealth, a Christian Socialist commune founded in the late 1890s by college professors and ministers, did not survive for long. Moreover, entrants often had to signal their serious intentions by demonstrating support of the key religious or socialist principle of the commune.⁷ For immigrant communes, such as Icaria, Amana, Zoar and Bishop Hill, members could signal their commitment and serious intentions through migrating from Europe to America. These mitigated adverse selection and moral hazard, while creating a positive externality for other members, who enjoyed living among people who shared their belief system (Iannacone 1992, Berman 2000, Sosis 2000).

⁶ It should be noted that when exit is restricted and power is unequally spread amongst the individual members, an equal sharing rule could be more prone to corruption, which in turn increases inequality (e.g. formerly communist countries).

⁷ Adverse selection can be in terms of ability and/or in terms of belief/ideology. Ideally, the commune would like to attract members of high ability and high belief/ideology. It seems reasonable that someone who is serious about their belief would also be more likely to work hard, and vice versa, but this is not necessarily the case and there could be adverse selection along one of the dimensions but not the other.

The adverse selection problem may be aggravated when the communes' population is more diverse. With more heterogeneous candidates and members, overlap between the candidate's background and the commune members' backgrounds becomes less probable, and thus, identifying the candidates who fit, their true motivation for joining the commune, and their expected contribution becomes more challenging. Israeli kibbutzim chose new members mostly amongst Israelis who were of European descent, which characterized most kibbutz members as well. These mutual backgrounds enabled better recognition of certain traits in a relatively brief trial period and relieved some of the adverse selection problems. Immigrant communes also managed to limit the heterogeneity of applicants and new members by focusing on immigrants, especially from their own country. In Zoar, for example, the vast majority of new members, who had been a Shaker, were immigrants, primarily from Germany (Oved, 1993). In the Icarian commune of Speranza in California, new members had to speak fluent French. In Bishop Hill, most new members were of Swedish descent.⁸ Such requirements served as barriers to entry, and might have alleviated adverse selection.

To deal with brain drain, communes instituted various "lock-in" mechanisms that increased the cost of exit and alleviated the participation constraint. Thus communes, while providing high level of basic education, often provided members with commune-specific education that was of little use in the outside world, discouraged higher education⁹, and held all property communally (i.e. allowed no private property), all of

⁸ In fact, even the murderer of Bishop Hill's leader, one of the new members of Bishop Hill, was an American soldier of Swedish descent (Pitzer, 1997).

⁹ This was not true in all communes. In Oneida, for instance, children and adults were taught geometry, trigonometry, biology, chemistry, and physics, and five young members who were studying medicine, engineering and law at Yale came home during summer vacations to teach and expand the curriculum (Oved, pg. 180). In Brook Farm (a Fourierist commune), life was centered around the educational

which increased the cost of exit and mitigated the participation constraint. We expect that the stronger are these lock-in mechanisms, the less binding will be the participation constraint, which will facilitate a higher degree of equality.

Abramitzky (2008, 2009b) discusses these mechanisms in the context of the Israeli kibbutzim. Similarly, many communes in the US were found to limit their members' options outside by limiting their education, and for the immigrant communes, by limiting the amount of English taught.¹⁰ Oved (1993) discusses Harmony Society's dissenters complaining that their leader, George Rapp, made withdrawal extremely difficult by refusing to let them learn English and by not allowing them "knowledge of the liberal institutions of our country". In Amana, education for most members was only provided through the 8th grade. A few young men were sent out of the community to receive training in medicine, dentistry, pharmacy or education, but Amana's elders chose these individuals on the grounds that it was deemed to be for the society's benefit (Pitzer, 1997). Amana also provides an example of a society that didn't limit the language training of its younger generation, and thus didn't create a "lock-in" mechanism in this respect, and as a result, suffered from greater exit amongst the younger generation for whom the language barrier no longer existed by the late 19th century. Indeed, most of the dissenters during this period were 16-40 years old (Pitzer, 1997).

Financial liabilities also served as lock-in mechanisms in various US communes. In Harmony, a Book of Debts was created to record all members' contributions upon

institutions which served as a prep school for those who wished to continue to Harvard University (Oved, pg. 145).

¹⁰ It should be noted that this wasn't the case for all communes. Oneida had several of its younger members go off to attend Yale (Oved, 1993) and in Brook Farm, a Fourierist commune, life was centered around the educational institutions which served as a prep school for those who wished to continue to Harvard University (Oved, 1993).

joining, but this was only done because Pennsylvania state law required it, and the practicality of it was that in 1836 George Rapp coerced the members into declaring the return of property as invalid (Pitzer, 1997). In Bishop Hill, those leaving the colony never got their money or assets back (Pitzer, 1997).

Abramitzky (2008, 2009b) shows that higher total communal wealth is associated with less exit and a higher degree of equality in kibbutzim. Oved (1993) notes that some of the key characteristics of communes that were short lived are that they settled in difficult agricultural areas, had poor land, and existed in poor conditions. For these communes, the smallest shock, such as a fire, drought, or quarrel between members, would bring collapse. In contrast, long-lived communes often were located on fertile land and thus could accumulate wealth.

Furthermore, to maintain a high degree of equality, members must put in sufficient effort and behave cooperatively. However, when output is shared equally, individuals are likely to shirk and free ride on others. In the context of team work, Holmstrom (1982) shows that when only the group's (rather than each individual's) effort is observed, individuals have an incentive to free ride. When effort is observed, peer monitoring and social sanctions can induce individuals to not free ride even under equal sharing (Kandel and Lazear 1992).¹¹ Abramitzky (2008, 2009b) discusses how social sanctions and monitoring are used in kibbutzim to mitigate the free rider problem. Similarly, US communes often exhibit diverse mechanisms, enabling members to observe each other's work effort. In particular, in Icarian communes, women rotated between

¹¹ Note that social sanctions are naturally less effective in solving participation constraints, because a member is less likely to care what the group thinks about her once she has left the commune.

occupations every week and they always worked in pairs (Pitzer, 1997). In Bishop Hill, the harvest was always in groups of 200 (Pitzer, 1997).

This need for social sanctions could explain various internal organizations common to communes, such as the communal dining hall, repeated interactions, the efficient transmission of information between members that is facilitated by the lack of privacy, the ubiquity of gossip (see Abramitzky 2008, 2009b for how these mechanisms worked in kibbutzim). In the US context, many communes, including the Icarian communes of Illinois and Iowa, some Shaker communes, the Fourierist North American Phalanx, and Bishop Hill, built their living quarters as “apartments” in one building. As a result, members of these communes had frequent interaction with each other even when in their own living quarters. Additionally, common education for members’ children extended the social dependability to the member’s children. For religious communes, frequent congregational religious worship also facilitated monitoring, transmission of information.

Moreover, smaller groups are likely to be more effective in facilitating social sanctions and mutual monitoring. In fact, longer-lived communes often display an active concern about becoming too big, and some such as the Hutterites, Shakers and Amana even split in order to not exceed a few hundred members.

It is possible that too small of a group size is also bad for stability if there are increasing returns to scale in the commune’s economic activity, especially if production takes place inside the commune and the commune is isolated from the outside world. In kibbutzim, which range from about 100 to a 1000 members, group size does not seem to be correlated with the degree of equality within the commune (Abramitzky 2008). It

would be interesting to study the optimal size of communes, which trade off returns to scale and the need for social sanctions and monitoring.

4. The tradeoff between isolation and integration/assimilation

A key feature shared by all communes is that they struggled to find a balance between isolation and integration/assimilation. All communes started out with some degree of isolation, either geographical (as in the case of many socialist communes) or in their establishing principles and beliefs.

The historical literature suggests that religious communes desired isolation in order to allow their members to practice their religious beliefs, which were distinct from those of the outside world. The Harmony Society migrated from Pennsylvania to Indiana due to the sect's desire to live a life of seclusion (Oved, 1993), and Amana colonies were originally founded near Buffalo, New York, but as the city expanded, the members decided to relocate further West to Iowa. Similarly, Socialist communes desired isolation in order to create "ideal" societies, free from the influences of the rest of the world. According to Kanter (1972), the outside world imposed a threat on communes and they strove to minimize contact with it. According to Oved, communes actually preferred to isolate themselves from society to protect their way of life; isolation was not merely forced upon them because of their inherent differences from the rest of society. For example, one of the Shakers' key principles was to withdraw from what was believed to be a sinful society. Sin is a justification for isolation of the group. The Shakers set up rules that restricted contact between members and outsiders. Similarly, Oneida instilled in its members a sense of superiority towards the outside world and required members who worked outside their commune to receive "purification". When peddlers returned from

their business (which generally wouldn't last for more than a week), they were "cleansed from the worldly spirit by a thorough scrubbing and criticism of their comrades." (Oved, pg. 176). Isolation was a similarly important value for communes such as Harmony, Zoar (whose name reflects a desire for isolation), Amana, and the Hutterites. However, for the socialist communes there was an ongoing conflict between assimilation and spreading their ideology – in particular, with respect to isolation versus recruiting new members to the commune.

I suggest an explanation for communes' desire for isolation, namely that isolation alleviates the problems of brain drain (by increasing the cost of exit), adverse selection (by creating a hard-to-fake costly signal for entrants), and moral hazard (by increasing cohesion and loyalty).

If isolation were hermetic, then members would not know about the outside world and their outside option (so the brain drain problem would disappear), and outsiders would not know about life in the commune (so the adverse selection problem would disappear). Additionally, isolation also removes members from the marketplace and members experience a loss of skills by no longer being productive in the workforce, thus also contributing to the alleviation of the brain drain problem.

However, even the most successful communes could never isolate themselves completely from the rest of society. First, they naturally had relationships with their neighbors (e.g. mutual aid between Hutterites and nearby farmers), and naturally attracted curiosity from outsiders (e.g. Shakers and Amish¹²). Second, being on good legal and political terms with the state authorities aided survival. Third, despite the intentional isolation in terms of their values, ideology and religion, the economic activity of stable

¹² The Amish are not classic communes, but many of the points in these articles may apply to them.

communes was often integrated with the markets, especially when they shifted from agriculture to industry.

The exposure to the outside world had obvious economic benefits, but it also threatened the communes' stability. Specifically, exposure made the participation constraint more binding both because members' knowledge of outside options was greater and because their ideology may have been weakened. The latter could also make the incentive compatibility constraints more binding because members with less ideology are more likely to shirk. One example of the tension between isolation and assimilation appears in the question of whether to hire outside workers. This is believed to threaten the stability of communes (Oved 1993, Simons and Ingram 1997), arguably because it is contrary to their ideology, but possibly also because outside workers earn a wage, which might provoke envy, and they could also increase members' knowledge of their outside option.¹³ Nevertheless, most communes (e.g. kibbutzim, Oneida, Harmony, and Amana) eventually hired outside workers because this was profitable.

Most communes faced external environments that evolved so as to increasingly provide higher returns to skill, which threatened the stability of the communes by making the various constraints more binding.¹⁴ The framework suggested in this paper implies that, in order to survive, communes could either respond by increasing the difference between them and the rest of society ("isolation") or by decreasing that difference ("assimilation"). Indeed, as their environment changed, communes either gradually became more isolated (e.g. the Hutterites), or gradually assimilated by introducing

¹³ In religious communes, those hired laborers were non-believers. In socialist communes, the hired laborers put the commune into an employer-employee relationship, which was against socialist ideology.

¹⁴ Kanter suggests that the communes' changing external environments, together with the deaths of their founders, eventually brought about the collapse of communes. The problem of the aging and death of founders was naturally more severe in communes that practiced celibacy such as Ephrata and the Shakers.

reforms that decreased the difference between them and the outside world (e.g. Amana, Zoar, Oneida, and kibbutzim). Which of the two options is chosen could be a function of whether the outside world is supportive, whether the ideology dictates avoidance of high living standards, etc.

In particular, when the outside option increases for high-ability individuals, the participation constraint becomes more binding. One response by the commune to alleviate the participation constraint could be to increase isolation, for example by increasing the use of lock-in devices or by reducing members' knowledge of their outside option. Alternatively, the commune could increase assimilation, for example by reducing the level of equality, which also alleviates the participation constraint because it gives high-ability members a premium for their ability. Kibbutzim, for example, shifted away from equal sharing when members' outside options relative to their inside options increased in the late 1980s. Kibbutzim faced the choice of either experiencing a massive brain drain or introducing reforms and shifting away from equal sharing. Many kibbutzim chose the latter, despite the fact this reform was counter to their founding principle. However, even reformed kibbutzim maintain a higher degree of equality and more mutual aid than in the rest of society, i.e. integrations/assimilation is far from total.¹⁵

Similarly, when norms of cooperation erode, the incentive compatibility constraint becomes more binding. One response of the commune could be to increase isolation by intensifying the social sanctions and education in the commune's values.

¹⁵ Pitzer's (1997) idea of "developmental communalism", the idea that communalism is just a phase in a community's life, would suggest this shift from equal sharing to greater inequality is a natural progression for a commune to undergo.

Alternatively, the commune could increase assimilation by shifting away from equality and introducing monetary rewards for effort.

5. The role of ideology in the stability of communes

This section discusses the role of ideology in communes in light of the view of communes as providing equality while mitigating brain drain, adverse selection and moral hazard (Section 3), and the isolation-assimilation tradeoff communes face (Section 4).

5.1. A high level of ideology enhances stability

All communes have a certain ideology that is a core founding principle. In religious communes, this is a set of religious beliefs such as the belief in the arrival of the kingdom of heaven. In secular communes, it is often a set of socialist ideologies. The ideologies and belief systems of communes are always different from those of the outside world, and set communes apart from the rest of society. These ideologies are usually the defining features of communes, at least at the outset.

Ideology serves both to increase the perceived inside option, thereby alleviating the participation constraint, and to enhance cooperative norms within the group, thereby alleviating the incentive compatibility constraint.¹⁶ Indeed, the loss of ideology is often believed to be a key reason for the collapse of communes. Ephrata, Shakers, and Harmony started their declines once they lost their faith in the coming of the kingdom of God during their lifetimes (Oved 1993). Oneida's ideology focused on the complex marriage system and a critique of the monogamous family as harming members' loyalty and commitment to the community. As a result, Oneida's decline began with its retreat

¹⁶ The idea that ideology enhances cooperative norms within groups was advanced by Putterman (1983), Oved (1993), Sosis (2000), Sosis and Bressler (2003), and Ruffle and Sosis (2004, 2006).

from the complex marriage system and the return to the monogamous family (Pitzer 1997).

Specifically, a member with a high level of ideology is inherently less likely to leave or shirk than is a member with a low level of ideology, thus the presence of ideologically motivated members is important for the stability of communes. When ideology is high for all members, the commune can maintain a high degree of equality while avoiding brain drain and moral hazard.¹⁷ However, especially in later generations, typically the core group of ideologically motivated members in a commune is accompanied by other members who lack strong ideology and just focus on their daily lives. The latter are less intrinsically motivated. They will only stay in the commune if the insurance value of equal sharing is sufficiently high and if their outside option is less attractive, and they will only work hard if social sanctions are effective.¹⁸

5.2. A high degree of homogeneity in ideology and in ability enhances stability

Members' homogeneity in background and ideology is also a characteristic believed to enhance the stability of communes. One characteristic of short-lived communes is that members did not share ideological training and had different backgrounds. Brotherhood of Cooperative Commonwealth began its program for colonization with settlers who had not been familiar with each other and failed within 5 years. In New Harmony and the Christian Commonwealth, an open policy towards new members created ideological heterogeneity and impacted significantly the ideological component of these communes. In contrast to this, in long-lived communes, members

¹⁷ Note that ideology without a signal for commitment does not solve the adverse selection problem, i.e. low ability individuals still have incentives to enter the equal-sharing arrangement.

¹⁸ On the other hand, the later generations are slightly more locked in – this is the only life they know and their family and friends are all there.

often had shared ideological training prior to establishing the commune. Founders of kibbutzim often shared ideological training in youth movements in the Diaspora before moving to Palestine and founding their communes. For many American communes, such as the Hutterites, Zoar, and Amana, their members arrived in the US following persecution in Europe, which strengthened their internal cohesion. Additionally, in long-lived communes, new applicants underwent tests in order to ensure that they shared the same ideological background as other commune members prior to acceptance. In Ephrata, new candidates had to pass severe spiritual and physical tests for over a year. Icarian communes required candidates to have thorough knowledge of the writings of Etienne Cabet, their leader. Another advantage of having members with shared ideology is that homogenous members are more likely to cooperate with each other than are members who do not share their ideology (see Ruffle and Sosis 2006 in the context of Israeli kibbutzim).

Besides heterogeneity in ideology, heterogeneity in members' abilities also makes it more difficult for communes to satisfy the participation constraints (Abramitzky 2008, 2009b). If a commune's members were homogenous and all contributed the same, equal sharing would not encourage exit. This is not the case if members differ in ability. When forced to share their earnings with less productive members, more productive members have incentives to leave the commune and earn a premium for their abilities. This logic can explain why communes strive for homogeneity: by encouraging conformity and discouraging excellence, they minimize brain drain (Oved 1993, Gavron 2000).

Heterogeneity is also likely to be higher for members of younger generations. While first generation members made an active choice to join the commune and share

their resources with people with similar expected productivity, second generation members were born into the commune and are more likely to differ in ability. It is thus expected that heterogeneity in the ability of members will increase over time, making brain drain more likely and the participation constraint more binding. This could also explain why few communes survive more than a generation.

It is interesting to note that the exit mechanism, while threatening the stability of communes because of the brain drain problem, could also enhance stability. Specifically, to the extent members with weak ideology or religious beliefs are more likely to leave their commune, the exit mechanism increases both the homogeneity of and the average level of members' ideology. After the departure of the least ideological and committed members, the commune will consist of only the more ideological members, who are both more homogenous and less likely to free ride. Thus, stability benefits.

5.3. Rituals enhance stability

Social rituals such as prayer, arts, music, and other shared celebrations have always been an important part of life in both socialist and religious communes.¹⁹ Even in the Protestant religious communes such as Zoar, Amana, and Ephrata, which avoided all luxury and decorative arts, rituals of prayer meetings and special festivals were important. Frequently, these rituals were ingrained in the commune's everyday life: In Amana, members attended 11 church services a week; In Oneida, religious-and-business meetings were held every evening and attended by all adult members of the community; and in Bishop Hill, 2-hour morning and evening church services were held daily. In

¹⁹ For a good account of communist rituals, see, Paul Froese 2008, *The Plot to Kill God: Findings from the Soviet Experiment in Secularization*, University of California Press, as well as Chapter 1 of this handbook.

secular communes, dance, music, parties and other cultural activities replaced religious rituals.

Social rituals enhance social bonding between commune members and encourage togetherness, which increase members' perceived inside option and thus alleviate the participation constraint. Rituals also mitigate adverse selection by demanding a hard-to-fake, costly signal of commitment to the commune. Iannacone (1992), Berman (2000), and Sosis (2000) emphasize this role of rituals as a signal of commitment to belong to the group, and as a measure that helps prevent free riders from enjoying the public goods without contributing. Rituals also mitigate moral hazard because they enhance loyalty in members and instill caring about their peers. Note, however, that the costliness of these signals may face an upper limit because rules that are too tough to follow may encourage exit of even committed types. Lastly, social rituals generally increase the social interaction amongst commune members and therefore serve as a mechanism to create a tighter community, which in turn enables more efficient monitoring and also creates greater social dependence on acceptance amongst the commune members. These serve to mitigate the moral hazard problem.

5.4. The roles of instrumental and non-instrumental ideology in communes' stability

Political philosophers distinguish between instrumental and non-instrumental egalitarianism. Instrumental egalitarianism values equality as a means to an independent goal; non-instrumental egalitarianism values equality as an end in itself.

Applying an equivalent distinction to ideology in the context of communes, non-instrumental ideology could be, for example, pure preferences for the socialist egalitarian principle, or it could be a belief that we are all equal in the eyes of God. Instrumental

ideology, however, favors equality in order to achieve an independent goal, such as insurance. Rituals as practiced by communes may also be instrumental or non-instrumental. They may be hard-to-fake signals used to avoid adverse selection in entry (instrumental), or manifestations of the communes' desire to practice their religious or ideological beliefs (non-instrumental).

Non-instrumental ideology is often a key establishing principle of communes and it facilitates a high level of equality at the outset. However, non-instrumental ideology tends to decline over time because the first generation members, who consciously chose this way of life, are more committed to the pure ideology than members of later generations, who were born into the commune (e.g. Rosner et al. 1990).

Non-instrumental ideology serves as a natural way to overcome the problems of moral hazard, adverse selection, and brain drain, because members intrinsically care about the collective and its goals. As the non-instrumental ideology declines and instrumental ideology becomes the main driving force, the problems of brain drain and moral hazard become more severe. The principle of equality is still desired and pursued, but the motives for it have become more practical. That is, members of second and third generations in communes tend to have a weaker ideological zeal (non-instrumental), and they often make their decisions of whether to leave and work hard more selfishly, based on the value of equality as a risk-sharing device and the effectiveness of social sanctions (instrumental). Similarly, when members' instrumental ideology is low, rituals are still used, but their purpose increasingly becomes instrumental, i.e. a way to avoid adverse selection.

Communes are well aware that non-instrumental ideology declines with each generation, which can explain why long-lived communes have always put emphasis on creating their own institutions to try to instill their beliefs and ideology in their younger generations. However, even long-lived communes, such as Amana, Zoar, Icaria, Oneida and kibbutzim, often failed to pass their ideology and values to their children. Thus, in Oneida, as in kibbutzim, it was the younger generation who demanded to abolish the commune (for Oneida, see Oved, pg. 185). Similarly in Amana, the younger generation was breaking the rules that were set by the elders (e.g. playing sports and wearing the color red which was forbidden) (Pitzer 1997).

Instrumental ideology is still useful for the stability of communes in that it promotes the founding principles of equality and communal rituals and it coordinates expectations of how members should behave (e.g. cooperate and work hard). However, material factors that increase and decrease the attractiveness of the commune relative to the outside option (e.g. the commune's wealth, hired outside labor) became more important as ideology became non-instrumental.

5.5. Religious ideology enhances stability more than socialist ideology

There have been significant similarities between religious and secular communes: voluntary membership; an attempt to create an alternative and better society; isolation; high moral norms; and the abolition of private property. Indeed, despite often being atheists, secular communes showed great respect for the religious communes and the two types maintained good relationships with each other. Both practiced mutual aid, and possessed all property in common; both aimed for moral perfection so that altruism

would replace selfishness. Besides their non-instrumental aspect, such ideals have the instrumental purpose of overcoming free riding.

However, religious communes were more successful. In a study of US Utopian communes in the 19th century, Sosis (2000) finds that religious communes tended to survive longer. Similarly, religious kibbutzim have been more successful than secular ones (Fishman 1992, 1994). Moreover, Ruffle and Sosis (2007) find in an experiment in kibbutzim that members of religious kibbutzim cooperate more with other members of their group than do members of secular kibbutzim. Moreover, they find that members who practice their religion more are more cooperative. Interestingly, the higher cooperation of religious kibbutz members (and kibbutz members relative to city people) is mainly towards members of their group.

There are a few potential reasons why religious communes have been more successful. First, it is likely religious beliefs are more costly to fake than socialist beliefs, for example because of more daily routines and religious restrictions and more group rituals for religious beliefs. That is, it is more costly to pray and live according to a strict religious code than it is to convey sympathy to the socialist idea. Thus commitment to a religious commune is harder to fake, and free riding is consequently likely to be less of an issue in these communes.

Second, religious ideology, unlike socialist ideology, is not necessarily dependent upon the principle of equality. This is helpful for survival because changes in the utopian nature of the commune can be made without threatening its founding religious principles. Consistent with this idea, religious communes (e.g. Oneida) often were created in order to facilitate the practice of religious beliefs rather than to create a utopian commune per se

(Oved 1993). This is not true for socialist communes, in which the utopian ideal came first (both in the US and kibbutzim).²⁰

Third, religion itself often has a value in itself for members, which like the non-instrumental ideology, may increase the attractiveness of the religious commune to its members (i.e. the value of the inside option for members). Moreover, when religion is thought of as a club good, as proposed in Iannaccone (1992), religious acts practiced together among commune members who know each other well could also increase the value of members' inside option.

6. Conclusions

I discuss the factors that affect the stability of communes in the US and Israel in light of a unifying framework that views communes as organizations that strive for equality while dealing with its inherent problems, namely brain drain, moral hazard, and adverse selection. Communes' internal organization is designed to mitigate these problems by facilitating social sanctions, enhancing commitment, loyalty, and cooperation, and creating lock-in devices.

Ideology, especially when religion-based, is helpful in mitigating brain drain, adverse selection, and moral hazard, and it facilitates a high degree of equality. As members' outside options increase and as their ideology declines, communes' stability is threatened because these problems become more severe. To survive, communes such as the Hutterites increased their isolation, which strengthened their ideology and reduced

²⁰ Another factor that enhanced stability in religious communes relative to socialist communes is a charismatic leader, who coordinated expectations and enhanced ideology and norms. Most religious communes had one at the outset, but a replacement was not often found upon the leader's death. Communist communes often did not have such a leader, because having a leader was inconsistent with the socialist idea of equality.

members' knowledge of their outside options. Other communes such as kibbutzim increased assimilation, i.e. reduced the difference between them and the outside world, by shifting away from equal sharing. This reform helped solve these problems because it reduced the incentives both to shirk and for the most productive members to leave.

It is interesting to note that both the Hutterites and kibbutzim survived for a long period and still exist today. While the Hutterites do so by sticking to their establishing principles, kibbutzim have gone through reforms that shifted them away from their establishing principles. They reflect two alternative ways to deal with a changing economic environment. Nevertheless, both Hutterites and kibbutzim share an understanding of the economic forces that threaten them. Moreover, both have demonstrated flexible and creative ways to mitigate these threats and maintain a higher degree of equality than the rest of society, even in an external environment that has changed in destabilizing ways.

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