Chapter for To Whom Does the World Belong?
published by the Heinrich Boll Foundation book

The Commons: A Neglected Sector of Wealth-Creation

By David Bollier

When governments and corporations try to solve problems, they tend to see only two general types of solutions – *government action* and *market competition*. It is customary to see these two arenas of power as the only effective regimes for managing resources. Yet it has become clear in recent years that there is a third, largely neglected realm of solutions: *the commons*. The commons refers to a wide variety of social and legal systems for managing shared resources in fair, sustainable ways.

Just as we use the term "the market" to refer to all sorts of activities – stock exchanges, retail stores, farmers' markets – so "the commons" describes a wide variety of phenomena. It can refer to shared resources that a community builds and maintains (libraries, parks, streets); national resources that belong to everyone (lakes, forests, wildlife); and global resources that all living things need to survive (the atmosphere, water, biodiversity).

The commons can also refer to "gift economies," such as science, that encourage the creation and circulation of research and information. The Internet is a host to countless commons built and maintained by people with shared interests, from open software groups to Wikipedia to specialty archives. Implicit in the commons is a set of values and traditions that give a community identity and help it govern itself.

Although there are countless varieties of commons, many of them quite idiosyncratic and rooted in particular cultures, most commons fall into three general categories – gifts of nature, material creations, and intangible creations. This chapter offers an overview of different types of commons and governance rules. It also suggests how a discourse of the commons can open up new types of political and policy conversations.

Why Talk About the Commons?

It is important to talk about the commons because it helps us identify a broad class of resources that ordinary citizens and/or specific communities have a political and moral stake in controlling and managing. A great many commons are being converted into private property so that they can be bought and sold in the market. This is one of the great injustices of our time, one that conventional politics tends to ignore. In both overt and subtle ways, free market ideologues in business and politics are intent on privatizing resources that people collectively own; they wish to convert publicly controlled resources into private property that can be bought and sold in the market. This process is known as the "enclosure of the commons."

Neoliberal political systems are essentially engines of market enclosure. The political economies of industrialized societies tend to regard shared resources as under-leveraged market assets. They are seen as raw inputs for generating corporate profits. Restrictions on using them for market purposes, such as social or environment regulation, are often criticized as impediments to wealth-creation, and therefore morally suspect. In the neoliberal worldview, private property rights offer the most efficient way to produce wealth, and this constitutes "progress."

The point of talking about the commons is to open up a larger conversation about types of wealth and value. Not all wealth can be expressed through a market price. And indeed, other types of value – ecological, social, democratic, moral – need to be fully recognized and actively protected. The very epistemology of conventional economics has trouble doing this; the commons is helpful because it offers a way to name species of wealth that neoliberal economics prefers to overlook.

For example, market champions like to ascribe a monetary value to everything – land, crops, music, art – and then focus on maximizing the economic exchange value of those resources, as determined by price. We see this practice among advocates of "free trade," who focus on the cash benefits that market exchange may produce for buyers and sellers.

But market valuations often ignores the actual costs of the resources it uses (air and water are treated as free and limitless resources, for example). They also tend to ignore the costs displaced onto the environment, workers and the public, otherwise known as "economic externalities." A market may be highly productive and efficient while failing to acknowledge that it is destroying the commons: pollution dumped into the environment, children used as labor, factories that have dangerous safety risks.

The commons helps us develop a broader understanding of "wealth" by introducing the idea of *inalienability*. Certain resources have value beyond any price, and should be insulated from market forces. The beauty of nature, the sanctity of specific places, the ecological value of wildlife, the ethic norms of selling safe products, the moral values and traditions that define a community – all represent wealth beyond price.

With this broader sense of value, most commoners prefer not to monetize their resources. Their focus is on use-value, not exchange-value. In a commons, long-term stewardship and fair allocations of resources are seen as more important than maximizing profit or sales. Accordingly, a commons generally allocates its resources on a free or non-discriminatory, low-price basis, or according to social need.

Some commons may authorize the sale of resources in the market, but only if it can be done sustainably and without harm to the integrity of the commons. Thus, the renewable resources of forests, fisheries and fresh water may be sold to the market, but only if no long-term depletion occurs – and only if the benefits are fairly allocated among members of the commons.

These responsibilities are ostensibly the role of government – to act as a conscientious trustee of the public's resources. But in market-based societies, it is all too common for politicians and government agencies to fail to perform this task; some argue that this is a systemic failure of neoliberalism.

Governments of any sort are prone to corruption, of course. Politicians are known to give politically connected friends free or discounted access to the public's minerals, grazing lands, beaches and airwaves, for example. Or they sell resources that should not be sold at all (e.g., land that has important ecological value or sacred significance). The growth of the market sector in recent decades, relative to government, has only intensified the pressures to enclose the commons.

The Myth of the "Tragedy of the Commons"

But isn't the idea of the commons doomed to failure? For decades, conventional economists have assumed that any shared management system, or commons, would inevitably result in a "tragedy of the commons."

This myth was popularized ecologist Garrett Hardin in a famous essay in 1968, in which he declared that that people who share land as a commons will inevitably over-exploit it. He cited the example of a common pasture to which anyone may add more livestock for grazing without restriction. When individual farmers can take private benefits from the commons without regard for its overall "carrying capacity," Hardin said that a shared resource will necessarily be over-exploited and fall into ruin. Hence, the "tragedy of the commons."

The only solution, according to conventional economists, is to assign private property rights in land and let the "free market" decide how it shall be used. Economists argue that only private landowners will have the necessary incentives to take care of the land and make worthwhile investments in it; it is said that government and individuals have neither the proper incentives nor skills to manage the commons competently.

To support this general conclusion, economists often cite "prisoner's dilemma" game experiments that demonstrate the difficulties of getting individuals to cooperate to solve shared problems. In his influential 1965 book, *The Logic of Collective Action*, economist Mancur Olson argued that "rational, self-interested individuals will not act to achieve their common or group interests." The myth of the "tragedy of the commons" is routinely invoked to try to discredit the idea of the commons. A generation of economists and policy experts has used the story to criticize common ownership of land as impractical – and to celebrate private property and markets as the best system for managing resources.

Critics have challenged the tragedy of the commons narrative and prisoner's dilemma experiments as unrealistic models of the real world, however. They point out that in real life, members of communities develop social trust among each other, and collaborate and solve problems. Scholars of the commons, particularly those connected with the International Association for the Study of the Commons, cite hundreds of functioning commons, especially in developing nations, that reveal Garrett Hardin's abstract scenario as empirically erroneous.

It has also been pointed out that the "tragedy scenario" that Hardin described is not, in fact, a commons. He describes a regime of *unregulated open access*. The land he describes is not really a commons because there are no resource boundaries or governance rules. Anyone can appropriate whatever he or she wishes. No one is governing the commons.

This is not what a commons is. A commons is a system of self-governance and consensus rights for controlling access to and use of a resource. Successful commons generally have well-defined boundaries. They have rules that are well understood by the participants of a commons. There is sufficient openness so that "free riders" can be identified and punished.

The governance rules in a commons may be informal and implicit, and embodied in social traditions and norms. Or they may be explicit and formally codified in law. In either case, the people who participate in a commons have a shared social understanding about who has rights to use the land's resources and under what terms.

The point is simple. A commons is not always a tragedy. A commons can be entirely sustainable. It is a serious and sustainable alternative to market management of a resource.

The Tragedy of the Market

The real tragedy, many commoners argue, is the *tragedy of the market*. It is the market, after all, that relentlessly uses up so many of our precious gifts of nature and leaves pollution and waste everywhere, without even providing an accurate economic accounting of the actual costs.

The problem with conventional economics is that it too often fails to recognize the value that the commons contribute to market activity. Mainstream economists usually do not identify the *hidden market subsidies* that come from the commons and the *unacknowledged economic externalities* that companies dump into the commons.

Consider, first, the hidden market subsidies. Broadcasters who use the airwaves for free are using a public resource while providing little in return to the citizens who own the airwaves. When governments give timber companies cheap access to public lands, or give drug companies exclusive rights to taxpayer-financed drug research, they are giving those companies a hidden subsidy. When bottled water companies take large quantities of pure water from underground aquifers for free, they are essentially stealing from the commons.

"Economic externalities" are another set of costs that are not borne by buyers and sellers, but instead shifted to the commons. It is typically cheaper for a company to dump pollution into the atmosphere and to dump radioactive wastes in the ground than to clean them up (or "internalize" the costs). These economic externalities are unacknowledged costs of market activity – costs that are typically borne by the commons.

A commons-based economics, then, would begin to take proper account of the *full costs* of market activity by recognizing its hidden subsidies and unacknowledged externalities. To talk about the commons helps us begin to see economic activity in a more holistic way. We can finally begin to recognize the social, environmental and moral factors that quietly subsidize normal market activity: the public schools that provide educated workers, the regulations that make markets stable and trustworthy, the gifts of nature that companies regard as free. The commons helps us *name* these other, non-monetized sources of value – and in so naming them, we can begin to understand them properly and defend them.

Governing the Commons

How shall the commons be managed? The answer depends a great deal on the nature of a shared resource and the specific community. One major determinant is whether a resource can be used by many people without destroying it. If too many loggers cut trees in a forest, it *will* destroy the forest and produce a tragedy of the commons. But when lots of programmers join an open source software community, it doesn't deplete the commons; it *adds value* to the shared body of software code. A forest can be "used up," but a software commons is enhanced by greater participation.

One important factor in the management of a commons, therefore, is whether a resource is depletable or not. Natural resources tend to be depletable (or "subtractable"), while information and culture cannot really be "used up," especially in the age of the Internet and cheap digital reproduction. That is why the information commons tends to grow in value as more people use it – a phenomenon that property law professor Carol Rose calls a "comedy of the commons."

Another important factor is whether a resource is "excludable" or "rivalrous." It is hard to prevent people from benefiting from resources like lighthouses and sunsets, to which everyone has free access; they are "non-excludable." Also, my enjoyment of these resources does not diminish someone else's enjoyment; they are "non-rivalrous." Such non-exclusionary, nonrivalrous resources are known as "public goods." You cannot easily put a meter on them or prevent people from reaping benefits from them.

This analysis suggests that depletable commons require commoners to establish limits on the use of the shared resource, allocate those rights fairly and police usage. By contrast, managing a "digital commons" is less about managing finite resources than managing social relationships. Online commons typically focus on the criteria of meritocratic leadership, open participation, the cultivation of social consensus and the exclusion of vandals and spammers.

Interest in the commons is surging nowadays because it is seen as an antidote to market enclosure. New technologies and powerful corporations are seizing control of many resources that have long existed as public goods. Two prominent scholars of the commons, Elinor Ostrom and Charlotte Hess, write: "The ability to capture the previously uncapturable creates a fundamental change in the nature of the resource, with the resource being converted from a nonrivalrous, nonexclusionary public good into a common-pool resource that needs to be managed, monitored, and protected, to ensure sustainability and preservation." [A "common-pool resource" is a shared economic good, independent of any system of legal property rights. Scholars have often used this term to distinguish a good from "common property," which denotes a resource that is jointly owned through a set of legal rights. Recently, scholars have begun to refer to both as *commons*.]

Elinor Ostrom has been a leading scholar in identifying basic "design principles" for successful commons. Her 1990 book, *Governing the Commons*, identified the following principles, among others, as important:

- Clearly defined boundaries should be in place.

- Rules in use are well matched to local needs and conditions.

- Individuals affected by these rules can usually participate in modifying the rules.

- The right of community members to devise their own rules is respected by external authorities.

- A system for self-monitoring members' behavior has been established.

- A graduated system of sanctions is available.

As these principles suggest, the commons represents a very different logic for managing resources than the market. It offers forms of *ownership* and *management* that are more equitable than private property. It seeks *sustainability* of the resource over the long term, unlike the market's propensity for maximizing short-term (financial) benefits. The commons also honors *self-governance* as an important principle. Far from a "tragedy," the commons can establish fair and effective rules for allocating access to a shared resource. It can assure proper maintenance of the resource while protecting against "free riders" who might use the resource without contributing to its upkeep.

The social systems for managing a commons can vary immensely, however. There is no one-size-fits-all template. Different commons-management systems are needed depending upon the nature of the resource, its scale and the relevant community of commoners. For example, small fishing communities may allocate the rights to fish in certain waters, and police against cheaters, more effectively than a federal government. Yet when it comes to the electro-magnetic spectrum used by broadcasters, the federal government is probably needed to provide an overarching system of technical and legal rules. (But note: those rules could favor large corporate broadcasters seeking to maximize market gains or small nonprofit broadcasters functioning as local commons.) Still other commons, such as online communities like Facebook or open source programmers, can operate wholly independent of government. They use both formal rules and informal social norms to self-organize themselves.

Government and the Commons

In many instances, government acts a steward for the public in operating libraries, parks, civil infrastructure, airwaves, and other resources that belong to the nation as a whole. But it is important not to conflate a government program with the commons. The two may overlap, but they are not the same.

The point of naming a shared resource as a commons is to emphasize that the resource belongs to *the people*, not to the government, and therefore should serve larger purposes than those afforded by the market. Once a resource is considered "government property," its moral and legal connection to the citizenry begins to wane. The commons emphasizes the prior claims of commoners over and above government.

Second, the government has a larger role to play than bureaucratic management. In many cases, it can best support the commons by facilitating the establishment of new commons institutions that can be managed by the commoners themselves. Such self-governance at the proper scale of the resource can help assure better management and accountability. Examples include cooperatives, local land trusts, community broadcasting and community markets.

Government bureaucracies tend not to be very accountable to the commoners, even if they nominally serve them. It is customary to say that the government owns the treasures in the national museum, the highways and wildlife preserves. But in truth, a nation's *citizens* own those resources; the government is merely a trustee. To talk about the commons, then, is to reassert the people's moral if not legal rights in reaping benefits from these resources. It is to focus on the ways in which commoners can keep the government accountable in serving the broader public interest, over and above market objectives. The commons helps us articulate an arena of citizen power, self-governance and socially rooted value that exists apart from government – even if government may play a facilitating role.

Although we associate the commons with the *social management* of a resource, there are some variants, while bureaucratic and based on the money economy, serve worthy goals. In the United States, for example, the Social Security system is a socialized risk insurance for the elderly. It is a government-administered program for providing a minimum retirement income in a socially equitable way. The highly successful program has helped reduce poverty among the elderly and provided a way for one generation to express its gratitude to the generation that preceded it. Canadians and Brits regard their national health care systems are a type of government-managed commons: a resource that is available to all, based on their needs, and supported by all, based on their means.

Another impersonal commons model is the *stakeholder trust*, in which assets are managed by non-governmental trustees on behalf of a specific group of people. In Alaska, for example, the state government established the Alaska Permanent Fund to serve as a trust fund for revenues derived from the sale of oil on state lands. The Fund, now worth US$40.1 billion, generated dividends of $1,107 for every citizen in the state in 2006. This is a rare instance of ordinary people reaping equal shares of non-wage income from their collective wealth – a commons mechanism that helps reduce inequality while preserving the underlying asset.

A more recent innovation is the Sky Trust, a trust proposed by Peter Barnes and inspired by the Alaska Permanent Fund. To help curb carbon emissions into the atmosphere and reduce global warming, Barnes proposes auctioning rights to emit carbon. Large corporate polluters will pay significant sums into a trust fund in which all citizens own equal shares. The expense of buying pollution rights will encourage companies to find more cost-efficient technologies to reduce their pollution. While this may raise prices for carbon-based products and services, the Sky Trust will yield cash dividends to all citizens, on the principle that "we all own the sky." Polluters should not have a presumptive right to treat the atmosphere as a private dumping ground.

In the broad universe of commons, these types of government-engineered commons are exceptional. The more familiar and pervasive types of commons are socially based and relatively small – although the Internet is increasingly the site of all sorts of innovative experiments in self-organized mass collaborations, as exemplified by Wikipedia. Most commons are less about bureaucratic systems than smaller-scale social governance. Members of distinct communities know and respect the resources that they manage, and their management tends to be more open and accountable.

Indigenous peoples, for example, regard their knowledge of local flora and fauna, and medicinal treatments derived from them, as a community possession, not a marketable commodity. Their "traditional knowledge" helps define who they are as people. Therefore, maintaining the integrity of the commons is the same as maintaining the integrity of their social relationships, values and identity. Money cannot substitute for them. Which is why indigenous peoples are properly suspicious of dealings with large pharmaceutical companies and oil companies; they understand their any wealth generated through the market could well subvert their other, important forms of "common wealth."

The Commons as a Sector of Wealth-Creation

The full scope of the commons sector is only beginning to be studied. One reason is the alarming number of enclosures underway. Another reason is the growing realization that socially based commons do not necessarily result in a "tragedy," but indeed, can be highly generative. A commons can often create value – economic, social, personal – in ways that market regimes cannot.

This is most readily seen on the Internet, where "commons-based peer production," in Professor Yochai Benkler's analysis, is proving to be a more efficient and creative mode of generating value than conventional corporate organization. The rise of Linux, the open-source operating system, is a frequently cited example of this phenomenon. Managing natural resources as commons may also generate greater value over the long term than markets because a well-designed commons is more likely to internalize pollution and take a long-term perspective.

A great deal more study is needed to give us a better understanding of the many commons around us. But it is abundantly clear that the commons offers a range of wealth-creating, resource-protecting solutions that government and markets simply cannot provide. The chapters of this book explore some of the complex issues raised by the commons and how they are unfolding in Latin America.

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David Bollier is Editor of OntheCommons.org, a website sponsored by the Tomales Bay Institute, and the author of Silent Theft: The Private Plunder of Our Common Wealth *(Routledge, 2002) and* Brand Name Bullies: The Quest to Own and Control Culture *(Wiley, 2005).*