

"Reinventing the commons"

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REINVENTING THE COMMONS

We are indebted to institutional economic historians in general and Douglass North in particular for pointing out the impact of institutional structures on economic growth, and especially for making us appreciate the importance of clear specification of property rights in economic growth and in efficient use of resources. When this idea is combined with the crude (but apparently true) historical simplification that many societies used to have common property institutions and that individual private property has in many instances displaced common property, one might carelessly conclude that individual property is more efficient than common property. And that efficient resource use -- important in an era of environmental pressure -- requires that we dismantle common property and replace it with individual private property. This conclusion is, of course, at the heart of the campaign to privatize resource use around the world, and I believe that it represents a grotesque misunderstanding of North's insights.

Instead, I believe one can use North's arguments to diagnose the strengths and weaknesses of common property as well as of individual property, and to itemize circumstances in which REINVENTING the commons might be efficiency-enhancing. I would argue that common property (a human invention) can enhance the efficiency of resource use for common-pool resources (a natural physical state that humans cannot easily alter). In my comments, I will try to lay out an argument for why it might actually be reasonable for societies to move from common property (or a system of combined common and individual property) to more fully individualized private property, and back again to common property. All three transitions (the creation of common property in a pre-industrial setting, the move toward individual private property, and then a shift again toward more common property on seriously pressed resource systems) are efficiency-enhancing.

The first transition (the creation of common property) would be a way to reduce enforcement costs and to enforce conservative or sustainable resource use when substitutes for those resources were not readily available. After new technologies and, more importantly, long-distance trade makes substitutes available (more fish to supplement local fish in the diet, fish-meal fertilizer to supplement organic matter gathered from meadows as fertilizer for cultivated fields, wood from far away to supplement wood supplied by local forests), there is less need for conservative management of local resources and greater reason to contemplate the conversion of some resource systems into completely different uses. Local forests (at least those in fairly flat areas) might be cut down for cultivation or urban expansion, or local fisheries converted into industrial harbors. But when the alternatives become expensive because the resource systems from which they come are also pressed (global environmental shrinkage), or when the intensification of use through privatization produces new negative externalities among competing uses, then coordinated management among multiple resource/land users may once again become necessary for reasons of efficiency. Thus industrial economies find that they must create common property in environmental sinks (air, water, and soil) in order to maintain environmental services from those sinks. Urban areas must devise zoning and coordinated land use regulation in order to preserve diminishing public amenities. And natural resource systems yielding products for which no cheap substitutes are any longer available must once again be jointly managed in order to coordinate uses for optimal sustainable yield.

North's insight was to demonstrate that clear, specific, and exclusive property rights encourage investment and thus stimulate economic growth. It is a tragic misapplication of this principle to think that all resource systems must be sliced up into individual portions. Common-pool

resources don't slice well; and the more intensively we use resources that we thought we could slice up, the more we discover negative externalities among competing uses. In such situations, we obtain higher long-term productivity from such resource systems by coordinating our uses, through joint management. That is, by having groups of individuals share clear, specific, and exclusive property rights. Sadly, we have reached the point on this planet where resource use is often too intense to tolerate these externalities. Fortunately, we have an institutional record and a storehouse of surviving indigenous knowledge to comb to stimulate our imaginations, to help us reinvent the commons.