

Common Versus Government Property

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A central contribution of Elinor Ostrom, which earned her a share of the 2009 Nobel Prize in economics, was to reclaim the commons as a legitimate form of property. (For more detail, see Peter Boettke's December 2009 *Freeman* article.) Organization theorist Dick Langlois always makes it a practice in his European economic history class to reiterate Ostrom's point that, as he puts it, "the medieval open fields were not an example of the tragedy of the commons and were not over grazed."

Ostrom also denied that there was anything inherently unstable about commons and argued that they were actually well governed by traditional regulations that specified individual grazing rights. (Garrett Hardin himself later expressed regret that he had not titled his famous essay "The Tragedy of the Unmanaged Commons" and repudiated much of the use that had been made of it.)

As economist Joseph Stiglitz put it, "Conservatives used the tragedy of the commons to argue for property rights, and efficiency was achieved as people were thrown off the commons. But the effects of throwing a lot of people out of their livelihood were enormous. What Ostrom has demonstrated is the existence of social control mechanisms that regulate the use of commons without having to resort to property rights."

But in fact—a fact ignored by those on both the left and right who equate "private property" to individual property and contrast "property" with the commons—the commons were a form of property rights. And the eviction of peasants from the commons was not simply an efficiency loss; it was a case of the State expropriating property rights.

Libertarian scholar Roderick Long of Auburn University has argued that public (as opposed to government) property is entirely legitimate:

Consider a village near a lake. It is common for the villagers to walk down to the lake to go fishing. In the early days of the community it's hard to get to the lake because of all the bushes and fallen branches in the way. But over time, the way is cleared and a path forms—not through any centrally coordinated effort, but simply as a result of all the individuals walking that way day after day.

The cleared path is the product of labor—not any individual's labor, but all of them together. If one villager decided to take advantage of the now-created path by setting up a gate and charging tolls, he would be violating the collective property right that the villagers together have earned.

Ostrom's contributions, and Stiglitz's attempted summary of them, point to an unfortunate tendency among many libertarians: the tendency to conflate the individual-commons distinction with the private-State distinction, and to equate common property to State property.

A good example of this tendency is the received version of the early settlement of Plymouth Plantation, as recounted by Governor Bradford. In the received version the Puritans, motivated by a misguided idealism, initially set out to restore the primitive Christian communism of the Book of Acts, "holding all things in common." When the obvious incentive problems entailed in this practice led to starvation, the settlers accommodated themselves to reality and divided up the land and worked it individually. Output skyrocketed, starvation was averted, and everybody was happy.

Unfortunately, in the words of a recurring feature in this magazine, the received version "just ain't so"—or at least it's incomplete.

Richard Curl's recent history of cooperatives in America, *For All the People*, fills in some missing details that change the meaning of the story entirely. Curl supplements Bradford's history with material from J. A. Doyle's *English Colonies*. According to Doyle, the agreement between the Pilgrim Separatists and the Merchant Adventurers corporation provided that

[a]ll settlers . . . were to receive their necessaries out of the common stock. For seven years there was to be no individual property or trade, but the labor of the colony was to be organized according to the different capacities of the settlers. At the end of the seven years the company was to be dissolved and the whole stock divided.

Two reservations were inserted, one entitling the settlers to separate plots of land about their houses, and the other allowing them two days in the week for cultivation of such holdings. The London partners, however, refused to grant these concessions, and the agents of the emigrants withdrew them rather than give up the scheme.

In the conventional narrative the apostolic zeal of the Pilgrims, who desire to recreate the communism of the early Church, is confronted by hard reality. But according to Curl, relations between the Puritan settlers and the Merchant Adventurers make more sense in light of an entirely different subtext—the English peasantry's relations with the landed classes in the Old Country: "The colonists, most of them tenant farmers in the open fields of an old manorial hunting park in Nottinghamshire, considered that the investors' demand essentially reduced them to serfdom. The settlers were asking for no more than was normal under England's manorial system in effect since the Middle Ages. Peasants worked in the lord's fields but also had time to work with individual plots for their household needs."

Soviet Parallel

The Plymouth story is sometimes treated in parallel with that of agriculture in the last days of the Soviet Union, where the majority of food consumed came from private family plots—essentially kitchen gardens with some small livestock thrown in. Had the entire Soviet population been forced to subsist on the output of the State and collective farms alone, the result would have been mass starvation—exactly like that of the Plymouth settlers. This parallel is entirely accurate. What the received version of the Plymouth story leaves out, however, is that the role of the "collective farm" in the little drama is played not by the naive Puritan zealots seeking to "hold all things in common" but by a private corporation.

As Curl describes it, the system of private plots adopted after the rebellion against the Merchant Adventurers wasn't much like modern fee simple ideas of "private property." It sounds a bit like the open-field system, which we already saw the settlers had experienced in Nottinghamshire: The family plots were ad hoc and not subject to inheritance. And the open-field system as it existed in Europe had had significant elements of private family possession: Individuals worked plots individually (although doing some work in common, like plowing, that was impracticable on one narrow strip of land at a time) and harvested the full crop produced by a year's labor, but redivided the plots as changes in population made it necessary.

“Privatizing” by Expropriation

Until a few centuries ago the village commune persisted in most areas in a form much like before the rise of the State, but with a parasitic apparatus of State bureaucrats and feudal landlords superimposed on it.

And historically most attempts to “privatize” the common lands have in fact been expropriations by privileged landed classes. Common lands were simply handed over to nobles and everyone else was locked out. The conflict between the plebeians, with their demands for traditional rights of access to the public lands, and the patricians who had taken advantage of their control of the State to “privatize” those lands in violation of the peasantry’s legitimate property rights, is the main theme of Livy’s history of the early Roman Republic. The central focus of every popular movement in the Republic was a demand to “tear down the enclosures” and open up vacant land to be worked by land-poor peasants. That’s essentially what happened with the enclosure of the open-field system and the Parliamentary Enclosures of commons in England. In India under British rule, village headmen were transformed into land-owning “gentlemen” on the European pattern, and the villagers from common owners into tenants, so the headmen could be made responsible for collecting rents on behalf of the British authorities. We see it today with corrupt village leaders in China acting in collusion with the central government and foreign corporations to transform village common property into industrial parks.

The reflexive tendency on much of the right to equate all *de jure* individual property with “private property,” without regard to questions of just acquisition, and to view communal property as something tainted or unnatural and to be grudgingly tolerated at best, is quite dangerous. To see why, we need only compare the rhetoric used to defend the “efficiency” of enclosures with that used today to defend eminent domain in cases like *Kelo vs. New London*.

The Trouble With Muddy Waters

Unmuddying the waters with regard to the tendency to confuse the individual-communal distinction with the private-State distinction may also add clarity to some other questions. This is especially true in the field of organization theory. Genuine collective or communal property, in which the governance system ties reward to effort and knowledge, may be better at addressing Hayekian issues of tacit knowledge than the kinds of “private” property in which corporate hierarchies divorce effort from responsibility.

Take, for example, the shareholder model of corporate ownership. Despite their theoretical status as “owners” of the corporation, shareholders have little genuine control over management. In fact, management’s responsibility to shareholders is a legitimizing myth comparable to the claim of the State industrial bureaucracy in the old Soviet Union to represent “the people” or “the workers.” The management of most large corporations is actually a self-perpetuating oligarchy in control of a mass of unowned capital. But their claimed status as representatives of the shareholders, as little basis as it has in fact, serves a useful purpose in insulating management from internal political challenges—especially from internal stakeholders.

As organization theorist Luigi Zingales has pointed out, the main source of corporate book value is shifting increasingly from physical capital to human capital. That means that an increasing share of profit and equity results from the contributions of the workforce—specifically, their

tacit, job-specific knowledge and skills. Whether workers are willing fully to invest these skills and knowledge in the firm depends, to a large extent, on whether the governance system recognizes their stakeholder status and rewards them for their contribution to the bottom line. Without contractually defined stakeholder claims to the revenue stream that reflect their contribution to value, workers know it's quite likely that in a mixed economy with State impediments to free competition, management will expropriate whatever productivity gains result from their special situational knowledge and skills via management bonuses, downsizing, or both. Consequently they are likely to keep to themselves any knowledge that might increase efficiency.

On the other hand, the typical worker cooperative requires about a quarter of the front-line supervisors as a traditional hierarchical firm. The reason is that the workers do not exist in a zero-sum relationship with management and they are confident that their contributions to productivity will be internalized in their own personal bottom lines.

A worker at a plywood cooperative in the Pacific Northwest illustrated this when he told Edward Greenberg:

If the people grading off the end of the dryer do not use reasonable prudence and they start mixing the grades too much, I get hold of somebody and I say, now look, this came over to me as face stock and it wouldn't even make decent back. What the hell's goin' on here?

[Interviewer: That wouldn't happen if it were a regular mill?]

That wouldn't happen. [In a regular mill] . . . he has absolutely no money invested in the product that's being manufactured. Any knowledge he has on the side, he is not committed or he is not required to share that.

So ironically, management's professed status as representatives of shareholders, by blocking the creation of corporate governance systems that reflect the real sources of value added, actually works against the interests of both workers and shareholders.

The central lesson of Ostrom's work—that there is a rich variety of property forms and governance mechanisms, and not just a choice between the self-aggrandizing central State and the large corporate enterprise—is one we can all benefit from. Karl Hess put it aptly 40 years ago:

Libertarianism is a people's movement and a liberation movement. It seeks the sort of open, noncoercive society in which the people, the living, free, distinct people, may voluntarily associate, disassociate, and, as they see fit, participate in the decisions affecting their lives. This means a truly free market in everything from ideas to idiosyncrasies. It means people free collectively to organize the resources of their immediate community or individualistically to organize them; . . . Liberty means the right to shape your own institutions. It opposes the right of those institutions to shape you simply because of accreted power or gerontological status.

Amen.

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