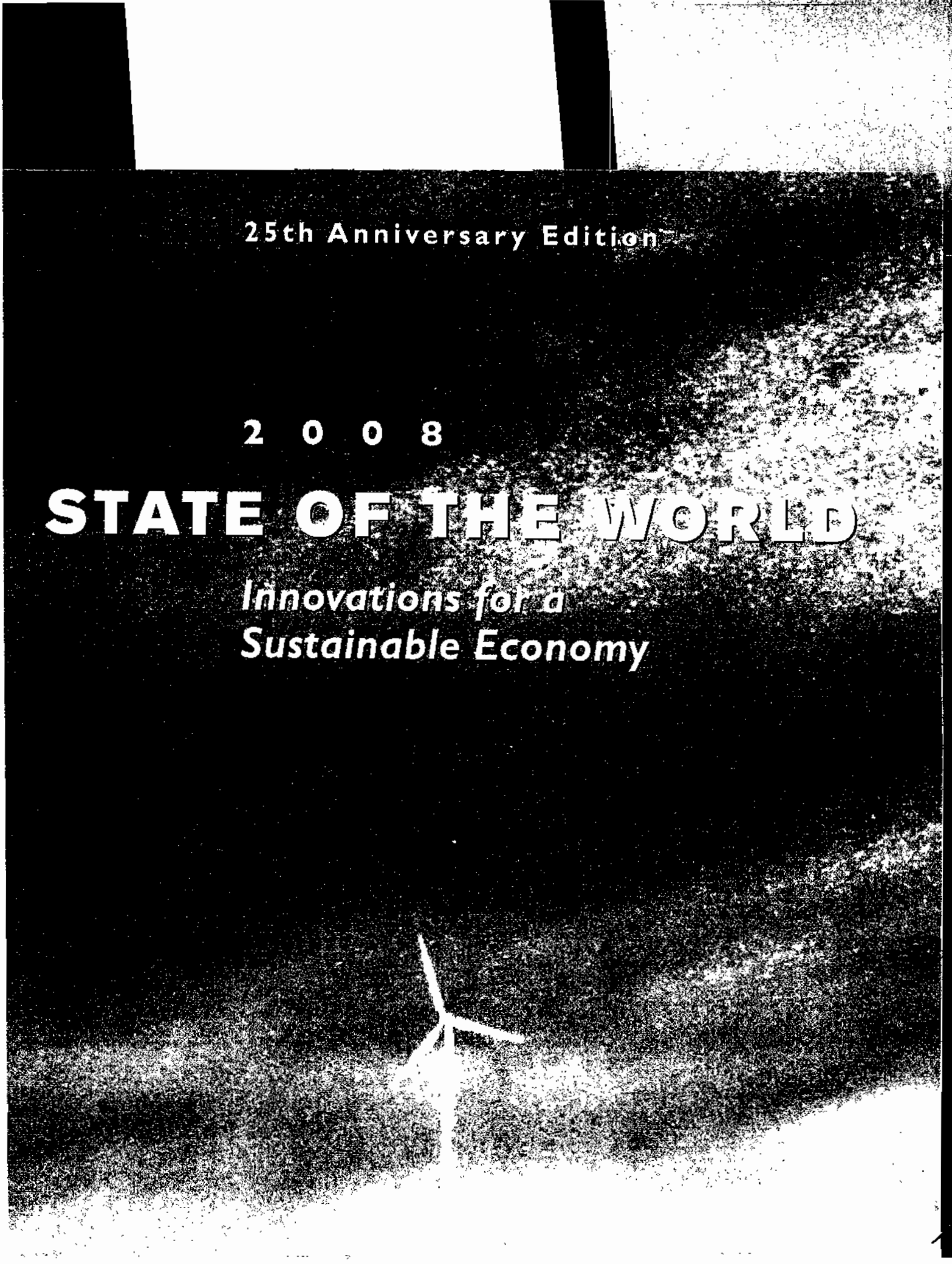
25th Anniversary Edition

2008 STATE OF THE WORLD

Innovations for a Sustainable Economy



CHAPTER 10

The Parallel Economy of the Commons

Jonathan Rowe

It is an article of faith among economists that a resource without a private property regime is destined for overuse. Yet on Bali, an island in the Indonesian archipelago, that is not the case. For centuries rice farmers there have coordinated their use of scarce water through social networks built on the innate human capacity to manage such resources in a cooperative manner.[1]

The system is based on what anthropologists have called "water temples," which enfold the water sharing within a context of traditional Balinese religion. But actually the networks function through a form of bottom-up cooperation in which the temples provide a venue through which producers can coordinate their water use. Modern computer analysis has found that the resulting allocation is close to ideal in terms of the productivity of the farms. It defeats pests naturally and uses the available water to maximum effect.[2]

Bali's water sharing system is a textbook example of commons management—a ditional property arrangement tha worked effectively for centuries in a variety of resource contexts but that ec mists today either disparage or ignore. was the case in Bali, when in the late the government decided to push rice fa into the modern age. It bypassed the temples, hired hydrologists to install m water systems, and pushed Green Re tion techniques, complete with heavy cides, upon the farmers.[3]

The result was a disaster. Insects developed resistance to the chemical cides. Crop yields plummeted. In the e government had to relent, and the f returned to the social productivity ar ments that the experts had deemed r an unenlightened past.[4]

Fast forward to 2001 in the United when Jimmy Wales set out to create a clopedia online. He thought first of porate *Britannica* model, only sta

Jonathan Rowe is a fellow at the Tomales Bay Institute and is founding codirector of West Marin Co

unteers. He established panels for peer iews, assigned articles to recognized erts, and then waited for something to pen. Not much did. Economists might see problem right away—a kind of corollary he problem they would see in Bali. Writ- acked a property right in their output and efore a monetary "incentive" to activate dormant mental assets. Wales was famil- with that lure; he was a refugee from the ld of options trading and understood the that incentives play in business. But ad he went in a different direction.[5]

e tried writing an entry himself (on n trading) and discovered it was like ding in an essay at grad school." It just 't any fun, and the top-down corporate ture was the reason why. So Wales shifted He abolished the expert peer-review s and put informal teams of coordinators ir place. More important, he dropped lea of assigning entries and let users them on any topic they desired. Then ame users would check one another for cy and bias. A discussion page for each would provide a forum in which to ese issues out and a written record that ser could retrace.[6]

other words, Wales created—or rather, —a social network instead of an eco- mechanism in the conventional sense. were engaged not as profit seekers e economics texts but as social beings t a kick out of producing in this way. two weeks the project had generated rticles than it did in two years of the wn model.[7]

result is Wikipedia, the free online pedia that now has almost 2 million in English and smaller numbers in 250 other languages—for a total of 8 million articles. *Nature* magazine ed a sample of science articles from dia with corresponding ones in *Britannica*. It found that the difference in accuracy was "not particularly great."[8]

Technophiles attribute this social productivity to the magic of silicon chips and the Web. Tech leads and people follow. Yet in reality the Web is just a new venue for the same human capacity that found expression in the water temples of Bali. It is a long way from one to the other, in time as well as space. But in both the rice fields and on the Web, social structures and social norms are doing jobs—creating and managing resources that are held in common—that conventional economic wisdom says only monetary incentives and private property rights can do.

Moreover, both draw on a side of human nature that does not exist in the economics texts and that has fallen off the radar in western economic life. People are not supposed to produce something for nothing. They are not supposed to be able to manage a scarce resource without a regime of private property rights to keep them in line or else the edicts of an authoritarian state. They are not supposed to but they are—and with results that equal if not surpass those produced by the prevailing economic model.

The rice farmers on Bali are an example of a mode of local resource management that has worked for eons, from the alpine pastures of Switzerland to the irrigated rice fields of the northern Philippines. Today this model is reappearing in many precincts of the economy at large—from the revival of traditional main streets, public spaces, and community gardens to the resistance to the corporate enclosure of university research and the genetic substrate of material life.[9]

It is as though something latent in human nature is breaking through the concrete of the corporate economy and the bureaucratic state. The result is not just effective and generative use of the asset, but also a dividend in the form of social cohesion and trust that can be

as important as the product itself. A new field called "behavioral economics" (a phrase that ought to be redundant but revealingly is not) has been rediscovering and giving empirical shape to this. Researchers have demonstrated, for example, that people seek fairness in economic dealings and not just their own gain. They seek stability over the long term and not just a quick buck.[10]

Such insights are not really news to most people. But recognition of them by at least a part of the economics profession helps put policies that derive from them into play in the high-level debate. In particular, it gives new legitimacy to the commons—a form of property that is neither the market nor the state, public nor private, but rather that people hold jointly and together rather than s rately and apart. (See Box 10–1.) As g ernments look for models for conser natural resources for the long haul, a l part of the answer could lie here.[11]

How Tragic Are the Commons?

To most economists, a commons is by de ition "tragic" because it is prone to over Their standard reference point is an ar that appeared in *Science* in 1968 called " Tragedy of the Commons." Though author, Garrett Hardin, was a biologis article was strangely lacking in scientific in It was more like economics—that is, a lo

Box 10–1. Property: A Social Construct

Property is not a metaphysical absolute. It is an instrument that societies design to advance particular ends. There are many different kinds—corporate, marital, municipal, partnership, cooperative, and so forth—all of which are defined socially for different purposes. Today, two categories of property dominate the public debate: public and private. This follows from an ideological spectrum that offers the public and private "sectors" as the only options from which to choose.

Yet a third kind of property—common property—is neither public nor private in the usual sense. Historically it has served well for organizing the use of natural resources of many kinds and for defining the rights and responsibilities of people regarding these. In England, much agricultural land was held in common until the eighteenth and nineteenth centuries. In practice this was similar to community gardens today. Individuals had their own plots, but the underlying ownership was in common.

The concept permeated the early thinking about property generally, including what today are called the public and private realms. In the early U.S. colonies, private woodlands typically were regarded as commons for purposes of s sistence, such as hunting, fishing, and even c wood. The woodland commons sustained sl during their bondage. To resubordinate them after emancipation, the southern planters clo the commons and thereby shut off a key par their livelihoods.

Residues of the earlier thinking exist toda regards to wildlife and more broadly in the l doctrine of the public trust. Ancient Roman declared that some things are common by t very nature—primarily air, sky, wildlife, and n gable waters. Government did not own thes and therefore could not privatize them, even legislators wanted to. Much like trustees of a estate, governments have a legal obligation to maintain the asset for the benefit of the publ at large.

Today the public trust prohibits governm from turning over to private parties the coa lines and navigable waters (and perhaps oth things as well) that they have a responsibilit protect for future generations. Common property is encoded for the long haul.

Source: See endnote 11.

rapolation from assumptions about reality her than an actual investigation of it.[12]

Hardin simply assumed that all commons free-for-alls, and he took no account of the man capacity to create rules to govern ess and use. He bid his readers to "picture" ypothetical pasture, which he peopled h hypothetical herders enlisted from the nomics texts. These individuals existed ide of any social structure and tradition d lacked a capacity even to talk to one ther. They all behaved as the texts said would and according to what they call ionality." They let their herds loose in pasture in a single-minded effort to max- e their own gain, with no thought for the e or for anybody else. The pasture was eted, and the tragedy was born.

here is a large irony here. Hardin was ming the psychology of the large corpo- n and projecting it onto the pasture. is the very institution that free market cates, who cite Hardin as gospel, want to st the pasture to through privatization. are purporting to solve the problem mbracing a purer version of it.

hat Hardin overlooked is that people ot necessarily behave as economists e they do. As historian E. P. Thompson ed, Hardin failed to grasp "that com- rs themselves were not without com- sense." Thompson was referring ically to the common-field agriculture of n England. Households had their own but the rights to these were a matter of m rather than of legal title, and the was true of access to other lands for g, foraging, and grazing.[13]

mmoners pooled their implements and for joint maintenance and the like. They ned their herds to fertilize their respec- lots. The destruction that Hardin ed to be an axiom simply did not hap- o the contrary, the system worked well for those who constituted it.

The historical and anthropological literature is full of examples of commons-based management of limited resources. Regarding water, the irrigation systems in Bali are not exceptional. Spain has had similar systems, called *huerta*, for almost 600 years. The farmers whose land adjoins each canal elect their own chief executive, called a *syndic*, who resolves disputes between them in a tribunal held twice a week. They get water from the canal on a rotating basis. During droughts, the crops with the greatest need get first priority.[14]

Especially suggestive are the *zanjera* of the northern Philippines. Tenant farmers there join together and build irrigation systems on dry private land in exchange for use rights to that land. In effect they become joint semi-owners through sweat equity. It is grueling work. The dams break routinely during the monsoon season and must be rebuilt sometimes three or four times in a single year. Members typically work something like 40 days a year on the *zanjera* and in some cases close to double that.[15]

There are more than a thousand of these in the province of Ilocos Norte, according to one estimate. They have an ingenious system for allocating water to make sure everyone gets a share. They divide the land into three or more sections and members get a plot in each section, in differing sequences along the canals. This way each member can have a plot that is close to the front of an irrigation line. Even in times of drought, everybody gets something. In addition, officials of the *zanjera* get extra land at the tail end of the line. This gives them extra motivation to ensure prudent use so that at least some water makes it that far.[16]

There are many examples of common pastures working effectively as well. In the alpine region of Switzerland, for example, the grazing pastures typically are commons, as are

forests, irrigation systems, and paths and roadways connecting private and common property. Farmers generally have private land for their own crops. The commons and the private exist in symbiosis, a little like the common areas of a co-op or condominium apartment building. Each form of property serves the purpose for which it is suited best.[17]

In the Swiss village of Törbel, residents formed a commons association over 500 years ago. They established a rule that members could graze no more cattle on the common pasture than they could feed during the winter. As of a decade or so ago the rule still was in effect. It is general practice throughout the Alps—another example of the common sense that Hardin and others assumed that commoners lack.[18]

Hardin practically could have looked outside his California window, at the western plains, to test his hypothesis against reality. The early cattle ranchers there were not saintly people. But they also were not stupid. They found ways to cooperate rather than destroying the habitat that sustained their herds and themselves. They adopted the practice of branding from Mexicans, to distinguish different herds. They cooperated on roundups and cattle drives. Most important in the present context, these ranchers limited their cattle herds and worked to keep out newcomers. It was not always pretty. But it also was not the tragedy that the "tragedy thesis" assumes is inevitable in a pasture not enclosed by a property regime.[19]

Hardin's essay won applause in environmental quarters, mainly because it was not really about the commons. It was a case for population control, and the tragedy thesis served merely as a grim parable to that end. From the start, however, anthropologists and others who actually studied commons-based social arrangements objected to Hardin's broad-brush dismissal of the commons. Eventually, Hardin himself had to modify his stance. He acknowledged that the problem is not common ownership per se but rather open access—that is, commons in which there are no social structures or formal rules to govern access and use.[20]

Such cases do exist, of course. The fisheries on the East Coast of the United States are an obvious example of an open access regime; Earth's atmosphere is another. When tragedies occur, there generally has been a breakdown in the social structure that once governed use, or else a scale at which such structures are not possible, or new technologies of exploitation for which the existing rules are not sufficient. Population pressures have played a role as well, as in the mountain forests of the Philippines.[21]

But population generally has not worked alone. There also has been the invasion of a corporate, governmental, or other external and exploitive force. Native Americans did not eradicate the buffalo on the western plains; fur hunters from outside did. Local residents have not sliced the tops off mountains in Appalachia or befouled the land and water in quest of coal bed methane gas in the Rocky Mountains. Outside corporations have. When the fishery off of Brooklyn and Queens in New York City began to collapse in the 1960s, it was not because of local fishers alone. Rather it was a combination of garbage barges and factory trawlers that brought this fishery to the brink.[22]

It is strange that the reigning policy focus is on the tragedy of the commons when actually the tragedy of the corporate is probably a greater threat.

The Tragedy of the Corporate

Privatization of the commons usually means corporatization of them. When a government sells resources, such as oil rights or ocean plots, individuals rarely have the means to buy them. To free-market believers, this is a distinction without a difference. Corporations are really just economic persons, they say, only bigger. But that is like saying that a federal bureaucracy is no different than a town meeting democracy, because both are "government."

As Adam Smith observed often, humans are social beings. They have a capacity for empathy and a desire to be esteemed by their peers. "Nature, when she formed man for society," Smith wrote in his *Theory of Moral Sentiments*, "endowed him with an original desire to please, and an original aversion to offend his brethren." This desire actually goes deeper, Smith said, because we aspire truly to be "what ought to be approved of." Right or wrong, that is an assumption on which his theory of a benign and generative market was based. The modern corporation does not fit this model.[23]

The corporation is a creature of lawyers rather than of nature. It embodies the pure financial calculus of the ciphers that inhabit the economics texts. The bottom line really is the bottom line. This is not because corporations are run by bad people. On the contrary, the financial calculus is built into charters through which corporations acquire legal life—fixed in the operating system, as it were.

This institutional machinery was designed for an era in which resources seemed limitless and the consumption of them the only urgent mandate. It was set loose on this landscape and did what it was supposed to do—dig mines, drill wells, build factories, lay tracks, generally eat like an adolescent and consume everything in sight. Today, however, it has become like an appetite without a shut-off switch, the adolescent who never grew up. It has no built-in capacity to say "enough."

The main internal constraints are financial, in the form of quarterly earnings statement the demands of shareholders and creditor and the like. These push generally towa liquidating nature, not husbanding it. Spea ing of a rival who controls his own compa and so can think "long term," Richard P sons, the CEO of Time Warner, observed, almost anybody else did it, they'd get kille by shareholders and Wall Street analysts

> **The problem is not common o per se but rather open access commons in which there are n structures or formal rules to g access and use.**

The paradigmatic case is that of Pac Lumber, a California company that in 1980s owned most of the major old-grov redwood forest still in private hands. Pac Lumber was unusual. The chief execut was a lifelong timberman by the name A. S. Murphy, who believed in harvesting more than the forests could replace. "Tl approach," said David Harris, author of *Last Stand*, "was basically to treat the fo as capital and try and live off the interest

This virtue did not go unpunish Pacific's self-discipline meant its forests w ripe for less conscientious plucking. Its cl balance sheet—Murphy believed in pay you-go—left plenty of room for a raide load up the company with debt. This is ex what happened. During the leveraged buy boom of the 1980s, a corporate chief by name of Charles Hurwitz teamed up Michael Milken and Ivan Boesky, two of more infamous financiers of the era, to over Pacific Lumber. They mortgaged company to the hilt to finance the purcha

Then Hurwitz began to liquidate forests that Murphy had conserved, in o to pay off the debt. Finance trumped

bandry, as it most often does. External restraints are vulnerable at best, given the political influence of those whom they are supposed to restrain.[27]

But there is a more fundamental problem—namely, the way the modern corporation lies outside the constitutional structure that the nation's founders erected to keep institutional power in check. The corporations of today did not exist when the United States was founded. Adam Smith actually dismissed them as inherently too cumbersome and bureaucratic, their managers too given to negligence and profusion." Individual entrepreneurs, nimble and resourceful, would outwit them every time.[28]

Smith was talking about the joint stock companies of his day, which were government-sanctioned monopolies such as the East India Company. He did not know that free incorporation laws soon would release the corporation from its legal strictures and obligations. He could not have known that these paper-created entities then would acquire the constitutional protections intended for human beings, through a Supreme Court procedure that was irregular at best.

The result is an institution that has outgrown both its legal and conceptual containers—including the ones of Smith's own theory. Although this is especially the case in the United States, it is true to some degree in most nations in which corporations operate. Even a cogent U.S. Congress can go only so far in terms of regulation. Nor have organized labor or consumer interests been an effective counterweight. Labor unions represent only some 12 percent of the workforce in the United States and often side with employers on resource issues, as when autoworkers oppose fuel efficiency standards for cars.[29]

The companies that own the resources—coal, gas, and so forth—and those based on their use have an insatiable hunger that drives—indeed, requires—the invasion of the commons. The appetite requires more, and the commons is where that more lies. This institutional engine is programmed to take whatever in nature and society did not have a protective shell around it. There are efforts to reform the corporation from within, by rewriting the charters under which they operate. Whether that succeeds or not, there still will be a need to establish a new kind of outer boundary, so that corporations cannot claim everything.

Reclaiming Common Spaces

Enclosure is the process by which a commons is taken for private use and gain. It has a long history. War and conquest excepted, the original enclosures in Anglo-American history largely were the work of the British Parliament, which parceled out the common lands to private owners, often with inadequate compensation—if any—for the commoners whose rights and subsistence were taken in the process.

The U.S. government followed the example of its British parent on many fronts. The Dawes Act in 1887 broke up the tribal commons for many Native Americans and imposed on them a private ownership regime, as did the Alaska Native Claims Settlement Act a century later. The North American Free Trade Agreement, enacted in 1994, declared the water commons a private commodity for purposes of international trade. It also helped erode the *ejido* system of land tenure in Mexico, which was based on communal rather than market values.[30]

The parceling out of the broadcast airwaves to private corporations was part of this same lineage. In recent decades the process has metastasized from discrete acts into a wholesale assault. From the microcosm of the gene pool to the far reaches of space, corporations have been transgressing all boundaries and laying claim to that which previously was assumed to belong to all.

Often corporations have direct help from government, such as the expansion of the intellectual property laws that made possible the patenting of seeds and genes. The Bush administration has worked to parcel out tracts of ocean to corporate fish farmers. There are efforts in Congress to privatize outer space as well, for the purpose of advertising. The momentum now is so great that corporations often need no direct help at all.[31]

The escalating enclosures of recent decades have prompted a response that is almost like an autoimmune reaction. Spontaneously, all over the world, people are seeking to reestablish boundaries and to reclaim territory that has been lost. The environmental movement is one example of this, as are the campaigns against corporate globalism and genetically modified (that is, corporately enclosed) food.

This is a movement that defies standard ideological categories. Genuine conservatives oppose the decimation of traditional main streets by "big box" stores and the commodification of childhood, among other things. Those of a more leftward bent oppose as well the enclosure of university research by a corporate patent regime, the privatizing of water and other resources, and a host of kindred incursions.

Boundaries are not the only issue. There also has been an instinctive groping back to the social dynamic that animated the early commons and made resource sharing in them possible. Community gardens have become increasingly popular in North America, for example. There have been no official surveys, but the American Community Gardening Association estimates there are now roughly 18,000 such gardens in the United States, with 750 in New York City alone. In Toronto, the number increased from 14 to 69 between 1987 and 1997. These operate much the way the original common field agriculture did in England. People have their own plots but often share tools and know-how, and pitch in on maintenance as well. The result is generative socially as well as agriculturally. A study in upstate New York found that a third of the gardens gave rise to broader neighborhood improvement projects such as tree planting and crime watch. "It is very peaceful now," said a resident of Richmond, Virginia, about a community garden reclaimed from a decrepit neighborhood park. "It brings people together." (See also Chapter 11.)[32]

Another example is the revival of common spaces in cities across the United States, from Pioneer Square in Portland, Oregon, to Copley Square in Boston. Three decades ago Detroit tried to renew its decaying downtown with a corporate fortress called Renaissance Center. The Center became a white-collar island, the decay continued, and renaissance never came. In the late 1990s, someone had the idea of taking the opposite approach. Instead of a private corporate space, the city would create an open common one.[33]

The result is Campus Martius, in the heart of downtown. Symbolically enough, Detroit actually rerouted automotive traffic to accommodate it. (The Renaissance Center had housed the corporate offices of General Motors.) Now life is coming back downtown. There are some 200 concerts and events a year, plus ice skating in the winter. People are coming in from the suburbs. Investment is coming too: some $500 million worth. The Compuware corporation has moved 4,000 employees in from the suburbs to be close to this new center of activity.[34]

This actually is how markets began—in common spaces, especially the plazas around churches. Markets were festive social occasions before they became "economic" ones in the

narrow modern sense. Farmers' markets today are direct descendents of those early ones, and they are spreading rapidly for much the same reason. According to the U.S. Department of Agriculture, the number of farmers' markets grew by 150 percent between 1994 and 2006. Today there are more than 4,300 in the United States, and people are flocking to them not just for local and organic food. It is also for the festive sociability, the fun of being out among neighbors, the freedom from the hyper-calculated marketing enclosures of corporate supermarkets and malls.[35]

Neighbors are starting to create their own common spaces for this kind of spontaneous sociability. In Portland, the City Repair project is turning traffic intersections into public squares. In Baltimore and Boston, neighbors have closed off back alleys and turned them into commons for their blocks. In some cases people actually have shortened their own backyards in order to make the common space larger. The so-called New Urbanism—which is really the old villageism—expresses a similar desire to restore social content and interaction to the normal flow of daily life.[36]

Such movements are not about expanding the governmental sphere. To the contrary, they are about stopping incursions into the commons sphere and protecting the generative social process (as opposed to the bureaucratized governmental process) that occurs there. They are parallel expressions of the social productivity that is emerging on the World Wide Web. Together they provide a template for a new/old kind of resource management as well.

resent the institution that best
odies commons functions outside
ublic sphere is the trust.

From Community to Conservation

The lobster fisheries of Maine illustrate how social process can translate into husbandry of a resource commons. These fisheries are organized informally within the state's many harbors, which are small enough to be communities. The fishers that work these waters know and watch one another. Each has a territory that has been worked out informally.

The enforcement of these informal territories, as well as of restrictions on taking undersized, oversized, or egg-bearing lobsters, is a community function more than a bureaucratic one. "As most lobstermen live in the same town, send their kids to the same school, and rely on one another in emergencies," Colin Woodard observed in his book *The Lobster Coast*, "social sanctions can be more effective than a dozen wardens." The wardens do exist. But the social networks that have evolved around these commons make them less needed.[37]

Maine fishers often toss back all the female lobsters in their traps, not just the egg-bearing ones, even though they don't have to. Unlike the hypothetical herders in Hardin's hypothetical pasture, these actual commoners are not without common sense. It is not entirely coincidental that the state's lobster fisheries are thriving, even though the number of fishers making a majority of their income from lobsters more than doubled between 1973 and 1998.[38]

This is the same kind of social structure that makes commons so productive in the alpine pastures of Switzerland, the rice fields of the Philippines, and many other settings. It is an argument for management that is local and community-based, and it raises questions about the assumptions behind the corporate global economy. Such arrangements are not always possible, however, especially in a mobile market culture such as the United States. Then too, some commons are simply too large, such as watersheds, the oceans, and the atmosphere.

The challenge, then, is to devise formal institutions that replicate the essential features of commons even if they cannot include all the social dynamic of local and traditional settings. In other words, it means scaling up commons management just as the corporation scales up business management from the individual entrepreneur. One essential feature is equity and mutual benefit. Commons serve all, either equally or by a just distributional standard, subject to necessary rules for access and use. Central Park is open to all New Yorkers whether they live in Harlem or on Central Park West, so long as they obey the rules.

The second essential feature has to do with time. Corporations are designed to seek short to midterm gain. They move to the metronome of the quarterly earnings statement. The market theory that justifies them, moreover, has no concept of the future in regards to resources. Maximize gain today and the future will take care of itself, the theory goes. The needs of future generations actually are discounted, which means that market calculus always values the present generation more than it does future ones.

Commons, in contrast, turn that assumption upside down. Properly designed, they are encoded to preserve assets for the future rather than to liquidate them for the present. They embody the way neighbors might think about a wooded hillside as opposed to the way developers would. There are times when government management can play this role. Central Park functions admirably as a commons under public ownership.

But government ownership is not always possible—or necessarily the best course. In the United States, continuing pressures on the Arctic National Wildlife Refuge and on national forests illustrate the vulnerability of a system that is ultimately political. Even at the local level there are pressures to invade parks and other public spaces with corporate sponsorships, advertising, and so on. The national parks are treasures, but there is increasing need for an alternative to government ownership that is not so tied to the corporate-government nexus.[39]

No solution is without problems, but some are less problematic than others. At present the institution that best embodies commons functions outside the public sphere is the trust. (See Box 10–2.) Existing trusts are primarily local or regional and have discrete boundaries. The next challenge is to apply the concept to larger commons such as the atmosphere and oceans or with entire watersheds. One possibility is to scale up the trust model one step further and use something that looks like a "market mechanism" but that actually serves nonmarket ends. For example, Peter Barnes of the Tomales Bay Institute has proposed a Sky Trust, which would serve as trustee for the atmosphere much the way a bank serves as trustee for a family trust. To understand the Sky Trust model it helps to consider briefly what it is an alternative to.[40]

The air pollution debate in recent years has focused on something called tradable pollution rights. Under this scheme corporations essentially get grandfathered rights to their past levels of dumping in the sky. If they reduce their emissions they can then sell the air space they are not using to another company—thus reaping a financial bonus for past bad behavior.

This approach is called "market-based" because it involves the buying and selling of dump space as opposed to just regulatory limits. (Such limits still would exist, but they would cap the dump space overall while companies worked out through trading which

Box 10–2. Trusting Commons

Trusts exist by definition to maintain an asset for their beneficiaries, future as well as present. They have all the protections of private property on the outside, but inside they can be designed for opposite ends. It is not surprising that this legal form has emerged as a way to graft commons-type management of limited resources onto an economic system that is not always the most receptive host.

One example is the Pacific Forest Trust, which helps protect private forests in the United States from both clearcutting and development. About four fifths of U.S. forestland is privately owned, and some 6,070 square kilometers (at least 1.5 million acres) of this forest disappears each year. The Pacific Forest Trust is working to halt this trend by acquiring conservation easements, which are a kind of property right in conservation use. Mineral rights give a corporation the right to extract resources; conservation easements give the trust the right to protect the land against uses that would compromise its ecological functions.

The private owners keep the land and the right to harvest it sustainably. They donate or sell to the trust the rights to develop the land. The trust holds these rights so that no one else can use them. In this way the public gets the benefits of living, breathing forests for the long haul, while owners still can harvest timber if they choose. In effect, this harkens back to the time in U.S. history when private forests were deemed commons for purposes of sustenance. Back then sustenance meant cutting trees for firewood. Today it also means refraining from cutting trees to protect the larger ecological functions of the forest.

A similar example is the Marin Agricultural Land Trust (MALT), which buys development rights to the rolling farm and ranch lands on the western edge of Marin County, California. Ranchers get to keep and work their land and pass it on to heirs. The public gets stunning and unspoiled landscapes, plus active stewards on the land. To date, MALT has protected nearly 15,400 hectares—roughly half the ranchland in the county—on 58 family farms and ranches. Given the development pressures in west Marin and the trophy palaces that Bay Area millionaires are lusting to build, the importance of MALT to one of the nation's most stunning landscapes is hard to exaggerate.

Another example is the Oregon Water Trust, which restores water flow to crucial and endangered streams. It does this by acquiring water rights and by working with farmers and other property owners to find ways to reduce their take from the streams. As with land and forest trusts, the property owners keep their land. All they give up is a portion of their water flow. That in turn becomes a commons that the organization holds in trust for the well-being of people and habitat, present and future.

And in New York City, the Trust for Public Land now holds 70 community gardens. It helped save these from Mayor Rudolf Giuliani's efforts to sell the gardens to developers.

Source: See endnote 40.

ones used how much.) The ability to sell dump space presumably provides an "incentive" for companies to reduce their emissions continually. The problem is that the system rewards most those who polluted the most. It also ignores the equitable owners of the sky—that is, all of us.

A commons-based approach would use a similar market dynamic, but it would start from a different premise and achieve a much broader beneficial result. The premise is that the sky belongs in some sense to everyone, which is why it is a commons. Corporations should not own it; they only can rent dump space from the owners. Accordingly, under the Sky Trust, there would be annual auctions for the available dump space, within strict and diminishing limits. The proceeds would go into the trust, where it could be used for investment in clean energy, cash dividends

to the owners, or some combination of the two. Sky Trust could help finance a long-term solution to climate change, not just reduce emissions.[41]

The Sky Trust would operate much like the Alaska Permanent Fund, which distributes revenues from that state's oil lands. But there would be one crucial difference. The Permanent Fund encourages drilling, because more drilling means more revenues for the owners. Sky Trust, in contrast, would encourage less pollution because it would reward the commons owners—all of us—for tough emission limits. When less dump space is available, the auction price will be higher, as a simple matter of supply and demand.[42]

This commons-based approach has been gaining ground due in part to the failure of a permit trading scheme in the European Union. Even the Deutsche Bank and the Conservative Party in the United Kingdom now back the auction model, as do the governors of New York and Massachusetts. The concept is basically that of parking meters. When you take a scarce resource from the commons, be it parking space on the streets or dump space in the sky, then you have to pay the ultimate owners. And you can take only as much as the natural and social systems can carry.[43]

The approach could be applied to seabed mining, under the Law of the Sea Treaty, and in a host of other ways. It has implications also for public revenues more broadly. Starting from a commons standpoint, rather than a conventional economic one, would bring the ecological and the moral into economic alignment. As Winston Churchill, an advocate of this approach, once put it as a young Member of Parliament: "Formerly, the only question of the tax gatherer was, 'How much have you got?' Now we also ask, 'How did you get it?'"[44]

Churchill was getting at the distinction between income earned by productive investment or toil and income that came from cashing in on something that nature or society already had created. The question is not what people make, he was saying, but rather what they take from the common pool. Specifically he was talking about land.

Land is not just a gift of nature as opposed to a product of human enterprise (with rare exceptions, such as landfills). The value of urban land arises from the investment of the entire society rather than of a particular owner. The difference in value between a parcel in Bridgeport, Connecticut, and one of identical size on Park Avenue in Manhattan has little to do with the efforts of individual owners and much to do with the investment that has gone on around them.

It is a social creation rather than an individual one, and therefore a form of commons. When individuals profit from increases in this location value—that is, the value of the site, as opposed to any buildings or improvements they have made on the site—they are reaping where they have not sown and are expropriating for themselves a gain that rightfully belongs to the society at large.

There is a social component in all gain, of course. But with land the case is almost pure. The consequences of permitting this expropriation from the commons are grim ecologically as well as in terms of justice. The lure of land gains feeds the speculation that drives development far into the hinterland. It encourages sprawling low-density development; when taxes on the site (or socially created) component of real estate are low, there is no need to use the land intensively to generate revenue to pay the tax.

The current property tax includes the value of both land and buildings. Typically the land portion is understated, because commercial owners like to attribute site value to the building so they can depreciate it. Shifting th

property tax from buildings to land would encourage more-efficient use of this limited resource. (Zoning is necessary to prevent the high-rising of stable low-rise neighborhoods.) It also would reclaim for society what society had created, thus achieving equity as well as ecological sanity.

Numerous cities have tried this approach: Sydney and Canberra in Australia, Taiwan, and indirectly Singapore and Hong Kong. Almost 20 cities in the state of Pennsylvania have done so too, and the results have been promising. Officials in Harrisburg, Pennsylvania, claim that the number of vacant lots and structures downtown has dropped by 90 percent. Many localities have used the approach in a more limited way, by recouping the value of public improvements from benefited property owners. One study found that the Washington, D.C., metropolitan area could have paid for most of its Metro transit system by recapturing the site value increases along the Metro route.[45]

After a long hiatus, interest in site value taxation is reviving. A computer simulation for King and Clark Counties in Washington state found that taxes on parking lots and vacant building lots—that is, the most wasteful uses—would more than double, while taxes on car-oriented strip development would go up by a quarter. Neighborhood shopping districts would have decreases, as would apartments and most single family residences.

That would be a win both ecologicall and politically—and socially as well. It is sug gestive, moreover, of the larger possibilitie of shifting the tax burden from what peopl and corporations make or buy in total t what they take from the common weal in thi process. Taxing the takings from the com mons would encourage people to take bet ter care of it. It would mean less waste of lan and other resources and therefore dense patterns of development that are mor resource-efficient.

That in turn would increase the occasion for human interaction and community in the course of daily life. Thus the wheel comes full circle. The measures necessary to protect the commons actually would foster the kind of social arrangements that make that protection more feasible.

For decades we have been told that there are only two choices for the management of scarce resources: corporate self-seeking or the bureaucracy of the state. But there is another way. Commons management has worked for centuries and is still working today. It can be adapted to the most pressing global problems, such as climate change. A new phrase is about to enter the policy realm. To "market-based" and "command-and-control" we can now add "commons-based."

CHAPTER 11

Engaging Communities for a Sustainable World

Erik Assadourian

To the west is Vermont Avenue, one of the most congested traffic corridors in Los Angeles, tiled with a mosaic of fast-food chains, nail salons, and dollar stores, all nested in a half-dozen strip malls. To the east lie three auto repair shops, housing, and a giant concrete church that dominates the street. To the north, there are two more auto body shops, three overcrowded schools, and a couple of car dealerships. And to the south, just beyond the Bresee Community and Youth Center, are two giant supermarkets with equally gigantic parking lots, tailored to be one-stop shopping for people commuting along the Vermont Avenue corridor.[1]

In the middle of this car-centric infrastructure—what some might call "sprawl"—lies a little green oasis: the Los Angeles Ecovillage (LAEV). This community, two small apartment buildings with about 55 residents, was started in 1993 as a demonstration project on how a community can transform its surroundings, helping to create a sustainable society.[2]

In its 15 years, the LA Ecovillage has had many impressive victories. Within its groun LAEV has facilitated technology and lifest changes, such as installing solar panels a composting facilities, providing rent redi tions for people who live car-free, and trai forming its courtyard into a 7,000-square-f garden that produces nine types of fruits a many more vegetables as well as a lush co mon area to sit and relax in. LAEV has a incubated businesses like the Bicy Kitchen—a shop that repairs bikes and t trains neighborhood children in bicycle ma tenance skills. And perhaps most importa the community has influenced the broa political process of Los Angeles, from lend support to "green" mayoral candidates engaging in public planning processes, s as the restoration of the Los Angeles Ri transportation planning, and local rede opment—all while continuing to be an affo able, accessible place to live, located with 10-minute walk of two subway stops and bus lines.[3]

Through its built infrastructure, the sc relationships it generates, and the way of