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# The Alternatives to Privatisation and Nationalisation


*More public resources could be managed as commons without much loss of efficiency*

It sounds vaguely elvish, like something from the pages of Tolkien. In fact, the Charter of the Forest is one of Britain’s founding political documents, dating from the same period as Magna Carta, the “Great Charter”, as the Charter of Liberties was known to distinguish it from its sylvan partner. Whereas Magna Carta concerned the interests of a few privileged barons, the Charter of the Forest was intended to safeguard those of commoners—in particular, their time-honoured right to make a living from the bounty of the great wild commons. As an economic institution, the commons now seems as old-fashioned as constitutional documents sealed by noblemen in meadows. To many economists, the spread of private property rights was essential to the creation of the modern world. But the shortcomings of commons can be overstated. They could usefully be granted a place in public policy today.

An ecologist, Garrett Hardin, coined the phrase “the tragedy of the commons” in a (shockingly eugenicist) essay in *Science* in 1968. But the free-rider problem that afflicts public goods has been well-known to economists for a century. Consider a pasture on which every herdsman may graze his cattle. Each has an incentive to use it as intensively as possible: since it is open to all, restraint exercised by one herdsman simply frees up grass to be chomped by another's animals, leaving those who hold back worse off, not just relatively, but in absolute terms. The common pasture will inevitably end up overgrazed to the point of ruin. Many valuable public resources are similarly prone to overconsumption. Roadways become congested, waterways overfished and slices of electromagnetic spectrum crowded into uselessness, to the detriment of total social welfare.

Two possible remedies are typically proposed. Governments may regulate access to the commons, as is usually the case with airspace, for instance. Or control over it may be sold, establishing a property right where none existed before. Economists tend to prefer the latter. Private owners have an incentive to use a resource sustainably, in order to maintain its long-term value. Privatisation should boost investment and innovation, too, since the profits flow to the owner.

Many economists see the spread of property rights as essential to kindling modern economic growth. Between the 16th century and the 19th most common land in England and Wales was enclosed and deeded to private owners. Economic historians long reckoned that enclosure, though unjust and brutal, spurred progress and laid the groundwork for industrialisation. Large tracts could be farmed more productively, freeing labourers to work in urban factories while also providing food to support them. "The break-up of the peasantry was the price England paid…to feed her growing population," wrote Peter Mathias, an economic historian, in 1983. The Industrial Revolution seemed to bury the concept of the commons for good.

But such orthodoxies are being revisited. Privatising shared resources, it turns out, does not always lead to a productivity boom. More recent research suggests that enclosure may not have been such a boon for British agriculture or industry. Research by Robert Allen, an economic historian at New York University Abu Dhabi, concludes that the big, capitalist estates which resulted from enclosure were not much more productive than common land farmed by the yeomanry. Nor did the great lords who gained control of large tracts funnel their profits into industry. Most indulged in fine living; many were debtors rather than savers. As Guy Standing of the School of Oriental and African Studies in London writes in his book, "The Plunder of the Commons", property rights can create an incentive for owners to use resources well, but they also grant the liberty to squander the fruits of their holdings.

If privatising land raises productivity less than might have been expected, that could be because commons are not as doomed as used to be thought. In fact, many were well cared for. Elinor Ostrom, a Nobel prizewinner in economics, studied how rural villages around the world manage shared resources such as land or irrigation systems. The Swiss commune of Törbel, for instance, has successfully shared irrigation resources for more than half a millennium. An exclusive focus on states and markets as ways to control the use of commons neglects a varied menagerie of institutions throughout history. The information age provides modern examples, for example Wikipedia, a free, user-edited encyclopedia. The digital age would not have dawned without the private rewards that flowed to successful entrepreneurs. But vast swathes of the web that might function well as commons have been left in the hands of rich, relatively unaccountable tech firms.

**A thirst for knowledge**

Mr Standing thinks that the decline of commons caused useful civic concepts to fall into disuse. Medieval commoners expected both to benefit from and to help manage unowned social wealth. Prosperity today similarly depends on shared public resources, from customary behaviour that supports the rule of law to accumulated scientific knowledge to the environmental services provided by clean air, waterways and so on. Some institutional creativity might allow more resources to be managed as commons, reducing concentrations of wealth and power without much loss of economic efficiency.

A world rich in healthy commons would of necessity be one full of distributed, overlapping institutions of community governance. Cultivating these would be less politically rewarding than privatisation, which allows governments to trade responsibility for cash. But empowering commoners could mend rents in the civic fabric and alleviate frustration with out-of-touch elites. In her Nobel lecture Ms Ostrom said that public policy should “facilitate the development of institutions that bring out the best in humans”. That sounds like common sense.

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