

Ruminations on the Commons: A call to Reformation of Economics and Economics Education

Paper presented at Rosa Luxemburg Institute

"Beyond Ostrom"

November 9, 2013

Berlin, Germany

In Ivan Turgenev's short story, "The Loner," the main character, a peasant overseer of a forest owned by an absentee landlord, was known for ruthlessly guarding his master's forest. Indeed,

"there wasn't a better master of his job in the world, [he] won't let you take so much as a bit of brushwood! It doesn't matter when it is, even at dead o' night, he'll be down on you like a ton o' snow, an' you best not think of puttin' up a fight . . . An' you can't bribe him, not with drink, not with money, not with any trickery" (Turgenev 1976 p. 175).

In the short story, the overseer hears an axe felling a tree and immediately confronts the would-be thief, a pitiful and destitute peasant.

"Let me go," cried the peasant. "It's been hungry . . . my little horse . . . let 'er go, she's all I got."

The overseer coarsely replied, "I know your sort . . . You're all the same where you come from, a bunch of thieves . . . I'm telling you I can't. I'm also the one who takes orders and I'll have to answer for it. And I've got no reason to be kind to the likes of you."

Although fiction, this short story faithfully recreates the conditions of the mid-19th century Russian countryside and adroitly captures the power, exploitation and vulnerability inherent in the class relationships. Indeed Turgenev was exiled during the 1850s due to his realistic portrayal of Russia's landowning class.

Question for Class Discussion:

Why did the loner zealously guard the pecuniary interests of a distant, well-off landowner while ruthlessly castigating a fellow peasant? Didn't the loner recognize the common class interest? Who and what does the landowner oversee?

This cogent short story underscores the power of fiction: although more than 150 years old it still resonates with us and makes us think. Indeed given the

inevitable collision of capitalism with its exclusive focus on increasing the rate of return, climate change and potential ecological catastrophe, this short story is just as pertinent now as it was in the 1850s. It raises a number of issues that should be the focal of debate:

1. Why an exclusive right to own nature, when nature was given as a gift to all? Why can only a few expropriate it?
2. Is there a way to reconcile the bounty of nature with the poverty of individuals?
3. What is the role of property rights and privatization in causing and extending poverty? How can property rights be aligned with the rights of people in order to ensure a decent living for all?
4. Why does subordination and economic stratification exist, where each "supposes power on one part and subjection on the other" (Johnson 1759 [1976], p. 55).

The purpose of this paper is to discuss issues raised over governance of the commons—resources that are available to all. Specifically how to conceptualize and implement institutional rules to govern an ethical use of common resources, that go beyond the myopic dichotomy of market versus the state. At the same time, I urge increased debate over managing our private resources, and that the two are mirror images of each other. Perhaps in an earlier age, when population was not a problem, we could focus on one without the other, but given a global population of 7 billion, with 2 billion more people expected by 2050, and increased demands on water, food, and energy we must analyze both issues. This paper will first discuss why change is needed; then briefly look at some helpful suggestions from Elinor Ostrom.

Why Change is needed

Alfred Marshall wrote in his best-selling principles of economics text that "economic conditions are constantly changing, and each generation looks at its own problems in its own way" (Marshall 1920, p. v.]). Our generation is confronted with many problems including climate change, environmental damage, a global financial crisis, a palpable disparity in income and wealth, escalating debt, and a health care crisis. These problems are mutually reinforcing and will only worsen.

At the center of our generation's problems are two issues: (1) the survival of capitalism as an economic system and (2) impending climate change. Is capitalism a

cause of climate change and what changes can we implement now to avoid potential catastrophe?

Our current focus on economic growth puts us on a collision course with the environment: unless we change our ways to become sustainable, ecological catastrophe is inevitable. While many of us have clarified what it means to be sustainable as well as delineating the contours of a sustainable economy, it is also incumbent to focus on the obstacles preventing transition from our current unsustainable position to sustainability

Given capitalism's modus operandi to maximize its own rate of return, it is not surprising that "almost none of the great theorists of capitalism, from anywhere on the political spectrum, from Marx to Weber, to Schumpeter, to von Mises, felt that capitalism was likely to be around for more than another generation or two at the most" (Graeber, 2011, p. 359). But why? Perhaps because capitalism has personified and elevated greed, but at the same time "simply cannot extend [inclusionary] deals to everyone" (Graeber 2011, p. 374); so those excluded will challenge and rebel against it.

With climate change already here, many feel that capitalism, with its relentless internal of making ever-increasing returns is on a collision course with ecological catastrophe. Should we make radical re-adjustments now in our economy if we are to avoid ecological disaster? Indeed we should be thinking and discussing alternatives to capitalism now, so that if a sudden and irreversible catastrophe would occur in the future, any alternative could be democratically implemented, at least theoretically. Isn't this preferable to having a new system imposed by a reactionary, anti-democratic force? But where is this discussion on this issue? In many countries, economic activity continues, oblivious to any need for change or thoughtful discussion.

Discussion of Elinor Ostrom

I welcomed Elinor Ostrom's receipt of the Bank of Sweden's Prize in Economics as an indication of the importance of pluralism and moving beyond the traditional boundaries separating the social sciences. At the same time, Ostrom's beliefs are symptomatic of the hegemony of neoclassical economics—she assimilates the concepts, dogma and ideology of neoclassical concomitant with a quasi non-toleration of dissenting views. While she exhorts greater cooperation, this is nothing new beyond the narrow confines of neoclassical economics. Nevertheless, her work on the commons represents an important stepping stone and perhaps a move towards more open dialogue.

It is also important to understand the commons because this is the front line (so to speak) in the current battle between free market ideology propelled by neoclassical economists and opponents arguing for a more constructive role of members of society.

While much attention of at this conference will focus on Ostrom's work on the institutional rules and procedures for enabling a more inclusive voice in regulating the commons, I would like to focus attention on her call for greater interaction between the social sciences and take this one step further in arguing that one reason for a lack of debate on a more inclusive role in regulating the commons is economics education itself.

The starting point for my discussion is three comments from Elinor Ostrom's work:

- (1) **'Develop better curricula on local governance'** (Ostrom 1999, p. 12). This will supplant the traditional and invidious dualism on state versus the market and provide a more fecund ambience for deeper and more holistic policies. She also notes that textbooks in the west strongly influence textbooks in developing countries which does not bode well for global efforts at sustainability.
- (2) **'Call for cooperation between the social sciences'** (Ostrom 2012). She notes that 'important developments in science frequently occur at the boundaries of disciplines when scholars from two or more fields discover each other and begin to address old questions in new ways" (2012, p. 24).
- (3) **"Undertaking empirical studies of how citizens, local public entrepreneurs, and public officials engage in diverse ways of providing, producing, and managing public service industries and common property regimes at multiple scales has generated substantial knowledge that is not explained by two models of optimal organizational forms. When one engages in substantial fieldwork, one confronts an immense diversity of situations in which humans interact"** (Ostrom 2010).

Pertaining to the first comment, I strongly endorse her recommendation and argue that we cannot move forward unless this is done.

Pertaining to her second comment, granted this call is nothing new and economics should have been doing this all along as Robert Skidelsky noted,

"after Keynes, economists should have aligned their discipline with other social scientists concerned with human behaviour. Keynes opened the way to political economy; but economists opted for a regressive research programme, disguised by sophisticated mathematics that set it apart.... [nevertheless] the present crisis gives us an opportunity to try again" (2009).

Indeed if economics is to help solve the problems of our generation we must learn from other disciplines, for we "cannot understand contemporary societies very well unless politics, economics, psychology, and the other social science disciplines are all brought together to study the complexities of modern life" [Bowles et al., (2005), p.51].

I argue that a genuine pluralism is necessary both between the many ideologies of economics and between the social sciences. Perhaps it is time to re-assess the artificial boundaries separating the social sciences?

That this has not been done is testimonial to the formidable opposition and vested interests keen in perpetuating the status quo. Edward Fullbrook notes that this opposition includes "university departments, associations, journals, classification systems, economics 101 textbooks, and its basic narrative [which] collectively and interactively block any effort at meaningful reform (Fullbrook 2010).

What can we do in order to viable foundation for a more in-depth discussion of rules and procedures for governing the commons?

- (1) Jettison the traditional deductive approach to 'studying' the economy in favor of empirical investigation, conducted from a wide variety of ideologies, theories and models.
- (2) Jettison the dualism inherent in neoclassical thought (i.e., state versus market, perfect competition versus monopoly, private goods versus public goods, etc.) which often inflicts ideological blinders and stifles innovative thinking. Other social scientists from other fields realize the shortcomings of such dualistic thinking. Graeber, for example writes on state versus markets that "it's a false dichotomy. States created markets. Markets require states.

Neither could continue without the other, at least, in anything like the forms we would recognize today" (Graeber 2011, p. 71).

- (3) Jettison the inimical thinking of the invisible hand, which "popularized the notion that an individual who intends only his own gain is, as it were led by an invisible hand to promote the public interest, which contributed to a dominant tendency of thought that has ever since interfered with positive action based on rational analysis, namely the tendency to assume that decisions reached individually will, in fact, be the best interests for an entire society" (Hardin 1968, p. 1244).
- (4) Focus just as much attention on the property regimes of private resources which can often prevent any transition to a sustainable society and impugn any counter-suggestion. Indeed the private ownership of what should be common resources is often the cause. Is privatization really a solution? Is this based on empirical investigation or deductive reasoning? Tom Green notes that "private property regimes are likely to lead to resource overexploitation or environmental degradation" (2012, p. 210).
- (5) Neoclassical economics must explicitly recognize, conceptualize and investigate power in all its manifestations. Failure to do enables neoclassical economics to rest behind a veneer of the market forces of supply and demand 'solving' apparent conflicts. Failure to recognize power also is an obstacle restricting the fruitful cooperation between the social sciences. Indeed if our goal is to develop new and systematic ways of constructing rules governing the commons, this cannot be done without acknowledging power and all its manifestations. Indeed this was a palpable failure of Coase in his analysis of negative externalities and the problem of social costs, when he tantalizingly speculated, "What payment would in fact be made (as compensation between a rancher and farmer for a negative externality) would depend on the shrewdness of each as bargainers" (Coase, 1960 p. 8) Shrewdness yes, as well as skill in bargaining, but what about power?

If as Ostrimor argues, effective communication is often a vehicle for articulating rights, how can this occur without an explicit recognition of power? And how should institutions be developed to attenuate abuse and

exploitatin inherent in any power relationship? Only if power is recognized and appropriate institutions conceptualized and designed -- admittedly more difficult said than done -- will the 'inherent logic of the commons which assumes tragedy inexorable' (Hardin 1968, p. 1244) be avoided.

(6) Recognize and encourage dialogue between the social science and the importance of communication between all memebtrs of an economic system, at the same time, realizing the efficacy of the communication is a function of the power realtionships. If a reformed economics is to help make the world a better place -- and it must -- then economics must be concerned with justice, which in turn is interconnected at many levels with pluralist dialogue since, "not only are dialogue and communication part of the subject matter of the theory of justice . . . it is also the case that the nature, robustness and reach of the theories proposed themselves depend on contributions from discussion and discourse" (Sen 2009, pp. 88-89).

As Joan Robinson exhorted, "independent economists ought to be speaking up on the side of humanity" (1980, p. xiii). Instead, as I wrote elsewhere, "we hide behind the ideological cloak of positive science, long ago jettisoned by other social scientists. Neoclassical economists, still stuck in the 19th century, have inured their students to "redressable injustice" while fastidiously extirpating passion" (Reardon 2012). Also these suggestions will instil the fun back into economics.

Conclusion

Economics as a discipline, rather than engaging in a quixotic endeavour to model how scarce resources are allocated amongst unlimited wants should "identify redressable injustice" (Sen 2010, p. vii) and thus conceptualize and implement equitable solutions. Not to do so will render economics hopelessly boring, out of touch and irrelevant. Nothing pains me more than to see an eager student wanting to study economics in order to understand the society in which they live (and will work) only to be turned off by overly deductive logic with textbook authors spinning tales of ideological fancy.

We need a new economics and a new economics education. Our future is uncertain which requires an economics education that is open-minded, humble, and pluralist. We should fundamentally restructure our curriculum to encourage doubt,

inquisitive thinking, humility and team-work. No better place to begin than a systematic discussion of the role of debt in capitalist economies.

An interesting and engaging way to make economics more relevant and directly useful to solving the pressing problems of our generation is to engage in a global dialogue among students, teachers and practitioners of economics on how best to understand the governance of our common resources and of our private resources.

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