

**Property Rights for a Small Planet:
Role of Common Property in a Sustainable
Future**

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First of all, although it will involve temporary sacrifice, we need to reforest our devastated hillsides. We can do this ourselves, without government help, because it's in our interest to do it. We'll have to come up with a way to provide for the poorest members of the community to subsist so they don't need to take trees and grasses from the hills during this period of re-growth, but we can even do that. They [the poor] will be much better off in a few years' time when the hillsides are luxuriant again and provide more than they do now. And we can stop wasting money on these silly river projects. Finally, we're too poor to cope with these arrogant officials who want bribes and gifts and run around asking questions while we try to get our work done. We're the ones who are worried about the long-term consequences, and they're not. We would really be better off if these officials and their projects just stayed away and let us solve our problems ourselves.

- Why, in spite of laws against cutting trees on government lands, are trees still being cut and the river bottoms rising, and the rivers holding less water? Because there are many people so poor that they have to worry about surviving today even if they are caught and punished tomorrow.

Yoshidaya Toushichi
writing from Hoshida near Osaka,
to the Tokugawa Shogunate in 1788

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Kumazawa Banzan (1619-1691)
Daigaku Wakumon (circa 1686-1691)

- Why, in spite of laws against cutting trees on government lands, are trees still being cut and the river bottoms rising, and the rivers holding less water? Because there are many people so poor that they have to worry about surviving today even if they are caught and **beheaded** tomorrow.

BENEFITS FROM STUDYING COMMON PROPERTY IN WELL-DOCUMENTED LONG- LIVED SYSTEMS

**CORRECTING OUR UNDERSTANDING OF
EVOLUTION PROPERTY RIGHTS IN HISTORY –
we can rescue a form of property rights that we
still need**

**Historical sequence implied by most work in
economic history:**

- **no property**
- **common property**
- **private property**

**RESULT: at the end of history everything is private
individual property**

**Historical sequence actually observed in societies
with well documented commons**

- **no property**
- **combination of**
 - **common property or shared private property**
for some things,
 - **individual private for other things**

**RESULT: clear, specific and secure property rights
get attached to all scarce resources but with a
flexible and changeable mixture of individual and
shared property.**

Historical sequence we learn from long-lived systems of common property

- shared private property (firms) for some things
- individual private property for other things

-- shared rights to productive stock

-- parceled rights to productive stock

-- parceled rights to harvestable flow

-- parceled rights to harvestable flow

WHAT ARE THE USEFUL FUNCTIONS OF COMMON PROPERTY AND HOW DO WE KNOW WHEN TO USE IT?

A. ECONOMIES OF SCALE IN CAPTURING GAINS

- **1. Resource is physically indivisible**
- **2. administrative efficiency in monitoring and enforcement**
- **3. economies of scale in managing a complex interactive resource system**

B. CAPPING AGGREGATE PRODUCTION IN RESOURCE SYSTEMS BEING USED CLOSE TO CAPACITY

- 4. dispersal of risk due to uncertainty**
- 5. productive efficiency via internalizing mutual harms that co-users might do to each other on the resource**
- 6. productive efficiency via internalizing harms that users of the resource might impose beyond the resource or to persons outside of the user community**

FINDINGS

- **THESE CONDITIONS OCCUR OFTEN IN LESS DEVELOPED COUNTRIES, AND QUITE OFTEN IN RICH COUNTRIES.**
- **COMMON PROPERTY REGIMES MAY BE VERY SUITABLE TO HIGH POPULATION DENSITY AND RESOURCES THAT REQUIRE CAREFUL COORDINATION IN MANAGEMENT**
- **COMMON PROPERTY OFFERS INSTITUTIONALIZED COORDINATION OVER EXTERNALITIES**
- **IMPLICATIONS FOR HISTORICAL EVOLUTION OF MULTIPLE PROPERTY RIGHTS REGIMES**

HOW DO THESE CONDITIONS AFFECT CHANGE IN PROPERTY RIGHTS ARRANGEMENTS OVER TIME?

- **When resources acquire scarcity value because they are in demand, people will attach some sort of property rights to them.**
- **The more valuable the resource, the clearer, more specific, and more exclusive the package of rights will be.**
- **Where none of these conditions pertain, we should expect to see parceled individual property attached to those resources.**
- **If any of the conditions above pertain, we are more likely to see individuals share some of these rights.**

- **The more of the conditions that pertain, the more likely that we will see people opt to share the rights attached to the resource and thus to devise common ownership of the resource system (the productive stock), although they may well continue to allocate rights to the flow (the harvest, the income) to individuals.**
- **Where these conditions diminish or disappear over time, we should expect to see a voluntary transition from common to parceled property.**

When the conditions itemized earlier arise and increase, we should expect to see

- **increased coordination and Coaseian bargaining,**
- **more consensual regulation over the freedoms of individual property owners,**
- **some surrendering of certain, if not all, of the strands in the bundle of property rights from individuals to communities**
 - **a voluntary transition from parceled to common property and from bilateral Coaseian contracts to collective Coaseian settlements.**

IMPACT OF ECONOMIC CHANGE EXOGENOUS TO THE COMMONS ON THE PREFERRED PROPERTY RIGHTS ARRANGEMENT

- **NEGOTIATIONS COSTS** rise with differentiation among users in preferred uses (problem is disagreement, not cheating)
- **ENFORCEMENT COSTS** rise with opportunity costs of alternative uses (problem is cheating, not disagreement)
- **NET GAINS FROM COORDINATED USE**
DECLINE as negotiations or enforcement costs rise