

Institutional alternatives

MPA 612: Public Management Economics

March 21, 2018

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Plan for today

Tragedies and CPRs

Private solutions to CPR problems

Government solutions to CPR problems

Informal solutions to CPR problems

Third sector solutions to CPR problems

Current events

Tragedies and CPRs

What is a tragedy?

Sad event vs. τραγωδία

“The essence of dramatic tragedy is not unhappiness. It resides in the solemnity of the remorseless working of things”

Deliberate choices of humans set off inevitable and inescapable chains of events

What are common pool resources? (CPR)

Non-excludable, rivalrous goods and resources



What is the tragedy?

If commons is under capacity, new animals can be added without damaging the system

So herdsmen add more animals. It's rational.

Commons goes over capacity

oh no

"Therein is the tragedy. Each man is locked into a system that compels him to increase his herd without limit—in a world that is limited. Ruin is the destination toward which all men rush, each pursuing his own best interest in a society that believes in the freedom of the commons. **Freedom in a commons brings ruin to all.**"

Fisheries

Forests

Air

Pastures

Antibiotics

Christmas creep

Fruit in public parks

How do we fix CPR problems?

Privatization

Government

Informal institutions and
self-regulation

Third sector

Private solutions to CPR problems

Property rights everywhere!

Make the non-excludable excludable



Property rights

Assign rights to all stakeholders

Parcel the commons

Incentive to overuse disappears

Permits

Assign right to infringe on CPR

BUT...

Coasian bargaining issues

What if people get bad parcels?

What about air? The ocean?

It's Pareto efficient, but is it fair?

Government solutions to CPR problems

Regulation everywhere!

Regulation

Monitor commons, punish defectors

Abatement is fixed

Feels "fair"; is more politically feasible

BUT, this requires...

...knowledge of CPR capacity

...costless monitoring

...consistent punishment

...costless administration

...benevolent government

Taxation

Move PMC inline with SMC and cancel out DWL

Can reduce taxes on other things

Increases flexibility

BUT...

...it's hard to set taxes correctly

...it leads to unknown abatement,
since some will just pay

Informal solutions to CPR problems

Institutions everywhere!

What are institutions?

What are formal institutions?

What are informal institutions?

“rules that have never been consciously designed and that it is in everyone’s interest to keep”

Douglass North, *Institutions, Institutional Change, and Economic Performance* (1990), p. 41

Why do we follow informal institutions?



“Can we agree that duels are dumb and immature?”

“Sure // But your man has to answer for his words, Burr”

“With his life? We both know that’s absurd, sir”

Other informal institutions

Presidential term limits

Presidential personal finances

Senate filibuster and nuclear option

Violation of norms
can lead to quick
formal fixes

But formalization
drives out intrinsic
motivations



Fixing Alanya's CPR

Rely on local knowledge

Rotating system for sites

Violations handled in coffee house

Fishermen still had to be licensed

Local solutions require legitimacy and authority (hi government... sometimes)

Self-generated institutions

Good institutions beget by good prior institutions beget by good prior institutions beget by...

People in close-knit groups naturally create norms that maximize aggregate welfare and enforce themselves



Traditional vs. modern cattlemen in Shasta County, CA

**This doesn't
always work!**

Bodrum, Turkey

More fishermen,
more cooperatives,
more tourists



Third sector solutions to CPR problems

Not the private sector, not the public sector... something else?

What is the third sector?

Organizations and institutions that aren't private and aren't public

Voluntary organizations that advocate for reform, rights, and public goods

Fill in service gaps not covered by public and private sectors

Education

Health

Advocacy

Poverty

What makes the third sector?

"value-driven action and commitment from individuals operating within it"

People not motivated by coercion (government) or profit (private), but by values

Organized

Private

Self-governing

No distribution of profits

Voluntary

But what is it *really*?

"At times the concept seems to take on the property of a gas, expanding or contracting to fit the analytic space afforded it by each historical or sociopolitical setting."

Michael W. Foley and Bob Edwards, "The Paradox of Civil Society"

Gramsci

Extension of state power

Revolutionaries

Counterweight to state power

De Tocqueville

Essential to cooperation in a state

Moral of the story...

**Governments don't
need to do everything**

**Allow groups for
final project?**

Yea

Nay