

REVIEW OF OSTROM'S *GOVERNING THE COMMONS*

WALTER E. BLOCK\*

*GOVERNING THE COMMONS: THE EVOLUTION OF INSTITUTIONS FOR COLLECTIVE ACTION.* By Elinor Ostrom. Cambridge, UK and New York, NY: Cambridge University Press, 1990.

**I. Introduction**

This is an evil book. I use that pejorative advisedly. It is also a basically mistaken volume, but we will get into that in a moment. Why is it a wicked publication, a description rarely applied to a dry tome in economics?<sup>1</sup> This is because it contains a nasty, vicious attack on private property rights, the lynchpin of a civilized order. Anything that weakens private property rights promotes barbarism. This book not only calls into question *laissez faire* capitalism predicated upon private property rights, but radically undermines this system. It is a frontal attack, in other words, on the last best hope for humanity.

There are four and only four possibilities regarding how mankind can interact with nature. They are, respectively, private ownership, government ownership (socialism), state regulation and control of ostensibly private property (economic fascism<sup>2</sup>), and the commons. In the latter case, there is

---

\*Walter E. Block ([www.WalterBlock.com](http://www.WalterBlock.com); [wblock@loyno.edu](mailto:wblock@loyno.edu)) is Harold E. Wirth Eminent Scholar Endowed Chair and Prof. of Economics, College of Business, Loyola University New Orleans and a Senior Fellow of the Ludwig von Mises Institute.

CITE THIS ARTICLE AS: Walter E. Block, "Review of Ostrom's *Governing the Commons*," *Libertarian Papers* 3, 21 (2011). ONLINE AT: [libertarianpapers.org](http://libertarianpapers.org). THIS ARTICLE IS subject to a Creative Commons Attribution 3.0 License ([creativecommons.org/licenses](http://creativecommons.org/licenses)).

<sup>1</sup> I would certainly include Keynes (1936) and Marx (1867) in this category.

<sup>2</sup> Too many people equate this system with goose-stepping, mustaches, heavy boots and racism. Not so, not so. The economies of the U.S., Canada, and Western Europe, can most accurately be characterized in such a manner. There is no overwhelming

non ownership, or, at the very least, no clear owner of the resource in question. No one person, *or group of people*<sup>3</sup> have rights over it. Nor does the state claim it. Rather, the tragedy of the commons prevails. Each user of the property, whether land for sheep grazing, or water for fish, or unowned buffalo in previous centuries, has little or no incentive to act so as to maximize the present discounted value of the incomes emanating from the resource in question. Rather, every common owner has the rational profit maximizing goal of grabbing all he can for himself, as soon as he can, and the devil take the hindmost.

Common, or non ownership, is just as much an enemy of private ownership as is socialism or fascism. No truer words on the matter were penned by Smith (1981, 467), cited by Ostrom (1990, 12): “The *only* way to avoid the tragedy of the commons in natural resources is to end the common-property system by creating a system of private property rights” (emphasis added by Ostrom). And, again, Ostrom (1990, 12) quotes Smith (1981, 465) it is “by treating a resource as a common property that we become locked in its inexorable destruction.” However, Ostrom (1990, 12–13) cites Smith<sup>4</sup> not to support his words of wisdom, but rather to criticize him:

Those recommending the imposition of privatization on the herders would divide the meadow in half and assign half of the meadow to one herder and the other half to the second herder. Now each herder will be playing a *game against nature* in a smaller terrain, rather than a game against another player in a larger terrain. The herders now will need to invest in fences and their maintenance, as well as in monitoring and sanctioning activities to enforce their division of the grazing area.... It is presumed that each herder will no choose  $x/2$  animals to graze as a result of his own profit incentive. This assumes that the meadow is perfectly homogeneous in its distribution of available fodder. If rainfall occurs erratically, one part of the grazing area may be lush with growth one year, whereas another part of the area may be unable to support  $x/2$  animals. The rain may fall somewhere else the next year. In any given year, one of the herders may make no profit, and the other may enjoy a considerable return. If the location of lush growth changes dramatically from year to year, dividing the commons may impoverish both herders and lead

---

government ownership of the means of production. But, regulations are ubiquitous and intrusive.

<sup>3</sup> Why I emphasize this phrase will become clear when I address the specifics of Ostrom’s thesis.

<sup>4</sup> Demsetz (1967), Sinn (1984), Johnson (1972) and Welch (1983), who Ostrom also criticizes, are also, along with Smith, on the right track in these matters.

to overgrazing in those parts where forage is temporarily inadequate. Of course, it will be possible for the herder who has extra fodder in one year to sell it to the other herder. Alternatively, it will be possible for the herders to set up an insurance scheme to share the risk of an uncertain environment. However, the setup costs for a new marker or a new insurance scheme would be substantial and will not be needed so long as the herders share fodder and risk by jointly sharing a larger grazing area.

The error in this analysis is clear. By “jointly” she means communally, or, communal ownership. But what about a *partnership*? That sort of arrangement is entirely compatible with private property rights. Yes Ostrom is oblivious of this type of contract. Her very thorough index of 10 pages (271-280) does not so much as mention it. The essence of Ostrom (1990) is an attack on “Those recommending the imposition of privatization...,” on the notion that private property good, commons, bad. Yet, if we but allow that “jointly sharing” need not take the form of common ownership, but could, instead, conform to partnerships, then her thesis falls to the ground.

Let me put this in other words. A partnership of whatever size<sup>5</sup> can stop the free rider and non excludability problems that so concern Ostrom (1990, 6). Common property, where all and sundry may avail themselves of the resource, cannot accomplish this task. And yet, she supports the latter. Well, that is not quite true. The truth of the matter is that all throughout her book Ostrom *thinks* she is supporting the commons. The very title she has chosen for her volume indicates this. And, yet, each and every example she uses as an ostensible illustration of common property is actually and really a partnership<sup>6</sup> and not a commons at all. To repeat: Ostrom *thinks* she is supporting the commons. People are all too likely to take away the message that she is indeed doing this. That is her error. The evil of Ostrom (1990) consists of the fact that trashes private property rights, albeit mistakenly.

What, pray tell, is the difference between a commons and a (large) partnership? Simply this. In the former case, no one can be excluded from the “common” resource. In the latter, everyone can be deterred from participating in its benefits, except for the partners of course, and each to the degree specified in the contract among them. Let a group of “cooperators” or commons people start to exclude outsiders, and the arrangement automatically switches from common property to a partnership. This is true whether or not those involved know, appreciate or realize this. Certainly, Ostrom makes no such distinction. That this is crucially important to her

---

<sup>5</sup> Some law firms have hundreds of partners.

<sup>6</sup> Sometimes a very large one.

entire enterprise just demonstrates how little she knows of what she is writing about.

Consider now her “analysis” of the  $x/2$  animals scenario. In Ostrom’s view, there are costs and benefits of *both* institutional arrangements, and it is by no means clear that the commons is less efficient than any other. After all, insurance schemes cost money to implement, etc. and who is to say as a matter of logic, that the expenses of the one will outweigh the other. No, it is all a matter of the specifics, to which her books devotes itself. Nonsense. No, nonsense on stilts. The flaw can easily be seen when we ask, Why are there only *two* herders. If there were three, four, five, more of them, then her scenario comes tumbling down like a house of cards. And, if it is a true commons, then it should be open to *all*. In her critique of Smith (1981), who is entirely correct on this matter, Ostrom is implicitly trading in on the fact that her meadow is not at all a commons, but rather is a *partnership* between the two herders. As to whether these two *partners* want to share risk of bad weather, changing rainfall patterns or not, or, rather, go their separate ways with different parts of the meadow, is merely something between them. It has nothing to do with a proper economic analysis of the situation. If the two of them can preclude entry of third, fourth and fifth herders, the correct characterization of the situation is one of private property rights, however divided up between the two of them. If they cannot preclude entry of outsiders, then it is a true commons, subject to the tragedy of the commons, Ostrom to the contrary notwithstanding.

## II. Ostrom’s examples

With this introduction, we are now ready to consider several of Ostrom’s examples. I shall quote her at some length. When you peruse what she has written, gentle reader, be careful, as she was not, to distinguish a so called “commons” arrangement, where the cooperators may legally exclude non members from joining,<sup>7</sup> which is really a private property partnership, from one which does not allow such exclusion, and hence really constitutes common property, subject to the “tragedy.”

Ostrom waxes eloquent about how well the “commons” works in Alanya, Turkey. But, is it a true commons, with no exclusion of non owners,<sup>8</sup>

---

<sup>7</sup> Unless they buy their way in, at a price agreeable to all so called “commoners.”

<sup>8</sup> I know I am being a bit repetitive here, but work with me. Ostrom, after all, won the Nobel Prize in economics in 2009. If an otherwise very bright woman could make the serious error of which I accuse her, and fool the Nobel Prize committee into making this award.

or it is a partnership, where the partner owners ensure that the property in question remains under their control? Here is how she (1990, 19; emphasis added by present author) describes the situation:

1. Each September, a list of *eligible* fishers is prepared, consisting of all licensed fishers in Alanya, regardless of co-op membership.
2. Within the area normally used by Alanya fishers, all usable fishing locations are named and listed. These sites are spaced so the nets set in one site will not block the fish that should be available at the adjacent sites...
3. In September, the *eligible* fishers draw lots and are assigned to the named fishing locations.

Exclusion reigns supreme here. Partnership, 1; commons, 0. It matters not one whit that some fishermen are members of the co-op and others are not. The key is *eligibility*. Co op membership is not a necessary condition for *eligibility*.<sup>9</sup>

Ostrom, however, is having none of this. She (1990, 20) avers: "Although this is not a private property system, rights to use fishing sites and duties to respect these rights are well defined." This is mistaken. If it were not a private property rights system, then *anyone* could go there and fish, "eligible" or not. Or, rather, *everyone* would be eligible. And, if masses of fishermen descended upon these waters, can it be seriously contemplated that rights would be "well defined?" No, of course not. The tragedy of the commons would ensue, with no private property (partnership) limitation on the numbers of fishermen. This is precisely what a private property system *is*. Whatever else can it *be*? Whatever else could Ostrom possibly think it is?

Here is Ostrom (1990, 23) again, at the same old lemonade stand, caught in a downright logical contradiction when she refers to "limited-access common-property resources." This is akin to a "square circle" or a "tiny giant." If a resource is truly limited access, then the persons to whom it is limited are the *owners*. That is precisely what ownership means:<sup>10</sup> the right to

---

<sup>9</sup> Point 2 is irrelevant to our concerns, as are the other descriptions I have not quoted. They constitute, merely, internal agreements as to how the partners are to divide up the fish catch.

<sup>10</sup> Malcolm (1958, pp. 31–32) reports of Ludwig Wittgenstein: "On one walk he 'gave' to me each tree that we passed, with the reservation that I was not to cut it down or do anything to it, or prevent the previous owners from doing anything to it: with those reservations it was henceforth *mine*." But, this was a *joke* on the part of this famous philosopher. Perhaps Ostrom has no sense of humor when it comes to the finer points of philosophy.

exclude others from the enjoyment of the property, without their permission. And, if there is this private ownership arrangement in operation, it *cannot* be a common property resource.

Ostrom (1990, 23-24) mentions:

... an adequately specified theory of collective action whereby a group of principals can organize themselves voluntarily to retain the residuals of their own efforts. Examples of self-organized enterprises abound. Most law firms are obvious examples: A group of lawyers will pool their assets to purchase a library and pay for joint secretarial and research assistance. They will develop their own internal governance mechanisms and formulas for allocating costs and benefits to the partners. Most cooperatives are also examples.

Indeed, true. But, may an outside lawyer bind the firm without a by your leave of the present legal partners? Of course not. The very idea is ludicrous. Thus, this is not a case of the commons. Rather, it is an instance of *private* property.

Next up in the batter's box is the supposed commons in the high mountain meadow and forests of Torbel, Switzerland. Ostrom (1990, 62) describes the situation as follows:

Written legal documents dating back to 1224 provide information regarding the types of land tenure and transfers that have occurred in the village and the rules used by the villagers to regulate the five types of communally owned property: the alpine grazing meadows, the forests, the "waste" lands, the irrigation systems, and the paths and roads connecting privately and communally owned properties. On February 1, 1483, Torbel residents signed articles formally establishing an association to achieve a better level of regulation over the use of the alp, the forests and the waste lands.

Ostrom (1990, 62) now quotes from Netting (1976, 139):

The law specifically forbade a foreigner (Fremde) who bought or otherwise occupied land in Torbel from acquiring and right in the communal alp, common lands or grazing places, or permission to fell timber. Ownership of a piece of land did *not* automatically confer any communal rights ... The inhabitants currently possessing land and water rights reserved the power to decide whether an outsider should be admitted to community membership.

Whereupon Ostrom (1990, 62) continues the tale:

The boundaries of the communally owned lands were firmly established long ago, as indicated in a 1507 inventory document. Access to well defined common property was strictly limited to citizens who were specifically extended communal rights.

Note that the *villagers* and *only* the *villagers* could access these resources. If Ostrom herself were to show up in this community with a cow, demanding grazing rights, she would have been summarily turned away. Why? Because she is not a Swiss villager, and, hence, she is not an owner, or, rather, partial owner, or, rather, she is not a *partner* in this enterprise.

In what way is this story of Torbel, presumably exhibit “A” in her thesis, any different than the law firm discussed by Ostrom *supra*? And, yet, she would not in a million years describe the law firm’s library as “common property.” She knows full well that this amenity is *private* property, owned, fully, by the legal partnership. Why, then, the different nomenclature for Torbel?

States Ostrom (1990, 63): “The inheritance system on Torbel ensures that all legitimate offspring share equally in the division of the private holdings of their parents and consequently in access to the commons.”

*What* “commons”? These are not commons at all. Non owners are turned away. The ocean is overfished because no fisherman is ever excluded from entry. That is the paradigm case of a commons. It is in *that* context that the tragedy of the commons obtains. There is no commons at all in Torbel, Switzerland, Ostrom to the contrary notwithstanding. There is no over grazing there. It is a functioning private property partnership system of long duration.

I will leave it to the interested reader to determine if Ostrom makes the same mistakes with regard to the villagers in Japan (1990, 65–69), the Spanish village irrigation institutions (1990, 69–82), and the Zajera irrigation communities in the Philippines (1990, 82–88). Hint: she does.

Instead, it is now time to draw this discussion to a close. I do so by raising and countering the following objection to my assessment of Ostrom. Is it possible that I am picking a mere verbal dispute with Ostrom? After all, if what she calls “commons” is exactly what I characterize as “partnerships” then we are not really substantively disagreeing with one another, and my entire critique is much in the way of a waste of time.

There are two reasons to reject this hypothesis. First, she would scarcely have won the Nobel Prize in economics if she wrote a book depicting interesting partnership agreements around the world. No, was accorded this honor, presumably, for shedding light on some of the “big” questions in economics: institutions, public goods, free riders, externalities,

and other such market “failures.”<sup>11</sup> Had she stuck to partnership arrangements, she would have had middling success as a sociologist of business contracts and practices.

Second, there are several smoking guns in this regard. Exhibit “A” is her appreciation of law partnerships. If this was a “mere” verbal dispute, she would not have distinguished between them, on the one hand, and her subjects in Switzerland, Spain, Philippines, Japan, etc. They would have all been for her, either partnerships or “commons.” Here is exhibit “B” (Ostrom, 1990, 64):

Throughout the alpine region of Switzerland farmers use *private* property for agricultural pursuits and a form of *common* property for the summer meadows, forests and stony waste lands near their private holdings. Four-fifths of the alpine territory is owned by some form of common property: by local villages..., by corporations, or by cooperatives. The remaining alpine territory belongs either to the cantons or to private owners or groups of co-owners.

What? Co-owners as *distinguished* from denizens of the commons? That, alone, pretty much puts paid to the verbal dispute objection. These villagers comprise in effect a condominium association, and there is nothing more “private property” and less “commons” than that sort of commercial agreement.

Exhibit “C”: Ostrom does not employ her critiques of Smith (1981), Demsetz (1967), Sinn (1984), Welch (1983) and Johnson (1972) against partnerships. But, she *does* do precisely this in her “analysis” of all sorts of out of the way places with regard to forests, water, fish and other such resources. This is no “mere” verbal dispute.

But, suppose, posit, assume, arguendo, that what separates Ostrom and me *is* a verbal dispute. Still, I contend, there is nothing *mere* about it. Verbal disputes, too, can be important.<sup>12</sup> What is at issue here is of the utmost importance, even under these contrary to fact assumptions. Of the three options for dealing with land and other natural resources: private property, government control, and non ownership, the philosophy of free enterprise maintains that only the former is viable, and, yes, moral. Ostrom has staked

---

<sup>11</sup> For the argument that there ain’t no such thing as a market failure, see Anderson, 1998; Barnett, et. al, 2005; Callahan, 2000; Cowen, 1988; Guillory, 2005; Higgs, 1995; Hoppe, 2003; MacKenzie, 2002; Rothbard, 1985; Simpson, 2005; Tucker, 1989; Westley, 2002; Woods, 2009.

<sup>12</sup> Chomsky (1981, 245) is attempting to co-opt the word “libertarian” even though he is no such. Then, there is the theft of the word “liberal” by the left of the right (Block, 2006).



out a counter claim for treating the third option in this manner, too.<sup>13</sup> At best, this at least muddies the waters, when clarity is of the utmost importance, one, for truth, and two, for the debate over economic freedom. At worst, Ostrom takes the side against private property rights, by supporting an illicit alternative to them. Her thesis, then, must be rejected on both positive and normative economic grounds.

I cannot resist one last poke. Ostrom (1990) takes refuge in “collective action,”<sup>14</sup> one of the weaseliest of all weasel phrases in the entire corpus of economics. She thinks she is analyzing non market behavior, either governmental, as it is used in the literature of our profession, or, as in her case, this plethora of cases she discusses where there are “community property rights.” But, why are not *partnerships*, also, instances of “collective action”? Why does what occurs in the stock market, the amalgamation of resources amongst tens of thousands of people, not count as “collective action.” Heck, what sports teams do, too, should qualify in this regard. There is simply no case for implying that government, or communal arrangements, exhaust this concept.

## References

- Anderson, William. 1998. “Market Failure?”, *Mises Daily*, October 8; [www.mises.org/story/53](http://www.mises.org/story/53)
- Barnett, William, Walter Block and Michael Saliba. 2005. “Perfect Competition: A Case of ‘Market-Failure,’” *Corporate Ownership & Control*. Vol. 2, No. 4, summer, p. 70–75
- Block, Walter. 2006. “Saving Language,” *LewRockwell.com*, December 21; [www.lewrockwell.com/block/block69.html](http://www.lewrockwell.com/block/block69.html)
- Callahan, Gene. 2000. “Market Failure Again?”, *Mises Daily*, April 4; [www.mises.org/story/407](http://www.mises.org/story/407)
- Chomsky, Noam in Otero, C.P. ed. 1981. *Radical priorities*. Montreal: Black Rose books
- Cowen, Tyler, ed. 1988. *The Theory of Market Failure: A Critical Examination*, Fairfax, VA: George Mason University Press

---

<sup>13</sup> Her examples, as we have seen, do not bear this out, but that is entirely a different matter.

<sup>14</sup> This appears in the subtitle of her 1990 book.

- Demsetz, Harold. 1967. "Toward a Theory of Property Rights." *American Economic Review* 57: 347–59.
- Guillory, Gil. 2005. "What Are You Calling Failure?" *Mises Daily*, May 5; [www.mises.org/story/1806](http://www.mises.org/story/1806)
- Johnson, O.E.G. 1972. "Economic analysis, the legal framework and land tenure systems," *The Journal of Law and Economics*. 15: 259–76
- Higgs, Robert. 1995. "The Myth of 'Failed' Policies." *The Free Market*. June. Vol. 13, No. 6, [www.mises.org](http://www.mises.org)
- Hoppe, Hans-Hermann, ed. 2003. *The Myth of National Defense: Essays on the Theory and History of Security Production*. Auburn, AL: The Ludwig von Mises Institute
- Keynes, John M. [1936] 1964. *The General Theory of Employment, Interest, and Money*. New York: Harcourt, Brace and World
- MacKenzie, D. W. 2002. "The Market Failure Myth," *Mises Daily*, August 26; [www.mises.org/fullstory.aspx?control=1035](http://www.mises.org/fullstory.aspx?control=1035)
- Malcolm, Norman. 1958. *Ludwig Wittgenstein: A Memoir*. Oxford: Oxford University Press
- Marx, Karl. [1867]1906. *Das Capital*, New York: Modern Library
- Ostrom, Elinor. 1990. *Governing the commons: The evolution of institutions for collective action*. Cambridge, UK and New York, NY: Cambridge University Press.
- . *Local Commons and Global Interdependence: Heterogeneity and Cooperation in Two Domains*, edited with Robert Keohane (London: Sage, 1995).
- . *Rules, Games, and Common-Pool Resources*, with Roy Gardner and James Walker (Ann Arbor: University of Michigan Press, 1994).
- . *Understanding Institutional Diversity* (Princeton, NJ: Princeton University Press, 2005).
- . "Governing the Commons in the New Millennium: A Diversity of Institutions for Natural Resource Management" (with Harini Nagendra). In *Re-Inventing Construction*, ed. Ilka and Andreas Ruby, 380–87. Berlin, Germany: Ruby Press, 2010.
- . "[A Common-Pool Resource Experiment with Postgraduate Subjects from 41 Countries](#)" (with T. K. Ahn and James Walker). *Ecological Economics* 69(12) (October 2010): 2624–33.

- . [“Commons.”](#) In *The Oxford Companion to Global Change*, ed. David Cuff and Andrew Goudie. Oxford University Press, 2009. Oxford Reference Online.
- . [“Traditions and Trends in the Study of the Commons”](#) (with Frank van Laerhoven). *International Journal of the Commons* 1(1) (October 2007): 3–28.
- . “How Norms Help Reduce the Tragedy of the Commons: A Multi-Layer Framework for Analyzing Field Experiments” (with Juan-Camilo Cardenas). In *Norms and the Law*, ed. John N. Drobak, 105–36. New York: Cambridge University Press, 2006.
- . *Working Together: Collective Action, the Commons, and Multiple Methods in Practice*, with Amy R. Poteete and Marco A. Janssen (Princeton, NJ: Princeton University Press, 2010).
- . *Understanding Knowledge as a Commons: From Theory to Practice*, edited with Charlotte Hess (Cambridge, MA: MIT Press, 2007).
- Rothbard, Murray N. 1985. “Airport Congestion: A Case of Market Failure?” *The Free Market*. Auburn, AL: The Ludwig von Mises Institute, January, [www.mises.org/econsense/ch52.asp](http://www.mises.org/econsense/ch52.asp)
- Simpson, Brian. 2005. *Markets Don't Fail*. New York, N.Y.: Lexington Books
- Sinn, H.W. 1984. “Common property resources, storage facilities and ownership structures: A Cournot model of the oil market.” *Economica* 51: 235–52
- Smith, Robert J. 1981. “Resolving the tragedy of the commons by creating private property rights in wildlife.” *Cato Journal* Vol. 1, pp. 439–68
- Tucker, Jeffrey. 1989. “Book Review: The Theory Of Market Failure Edited by Tyler Cowen” *The Freeman: Ideas on Liberty*, Vol. 39 No. 7 July; [www.thefreemanonline.org/columns/book-review-the-theory-of-market-failure-edited-by-tyler-cowen/](http://www.thefreemanonline.org/columns/book-review-the-theory-of-market-failure-edited-by-tyler-cowen/)
- Welch, W. P. 1983. “The political feasibility of full ownership property rights: The cases of pollution and fisheries. *Policy Sciences*. 16: 165–80
- Westley, Christopher. 2002. “The Myth of Market Failure” June 14; [www.mises.org/story/982](http://www.mises.org/story/982)
- Woods, Thomas E. Jr. 2009. “Response to the ‘Market Failure’ Drones,” *Mises Daily*, June 10; [mises.org/story/3503](http://mises.org/story/3503)