

## The Commons as a New Sector of Value-Creation

David Bollier



David Bollier, editor of OnTheCommons.org

Let me start with a bit of wisdom I once picked up from Thomas Berry, a historian of cultures who has said, “The universe is the communion of subjects, not a collection of objects.” This epigraph encapsulates the monumental shift that I believe we are undergoing as we move into a new kind of cultural if not economic reality.

We are moving away from a world organized around centralized control, strict intellectual property rights, and hierarchies of credentialed experts to a radically different order. The new order is predicated upon open access, decentralized participation, and cheap, easy sharing. We are living through a shift from a fairly static, stable order focused on things to an order that is highly dynamic and inter-subjective—one that revolves around social relationships and context.

It reminds me of a deceptively simple observation made by Vietnamese monk, Thich Nhat Hanh: “It takes thirty leaves to make the apple.” We in the West are so accustomed to thinking only about the apple that we tend to overlook the leaves, the tree and the ecosystem. We focus on the individual and tangible things that we

define as ‘property.’ We have trouble understanding that some of the most important capacities for generating wealth are collective and social in character.

Strangely enough, digital technologies—long reviled as instruments of depersonalization—are forcing us to recognize the power of the collective and social. New technologies are giving rise to an increasingly powerful new sector of value-creation. It can be seen in the remarkable success of GNU Linux and thousands of other open source projects. Perhaps the biggest commons of our time is Wikipedia, a wondrous cultural phenomenon that now has more than nine million articles in more than 250 languages. We are seeing the free advertising service, Craigslist, compete with the classified advertising of daily newspapers in dozens of cities. We are seeing a renaissance of amateur photography blossom on Flickr and so on . . .

Many academic disciplines are bypassing commercial journals and moving to open-access publishing formats; there are now more than 3,200 open-access scholarly journals. The open education resources movement is burgeoning with such projects as the OpenCourseWare model pioneered by MIT—now emulated by dozens of universities—which makes curricula free to everyone.

The Science Commons has launched a number of very exciting projects to make scientific databases interoperable and invent new research commons for neuroscience, anthropology, marine biology and other fields.

Open business models that draw upon the collective intelligence of users on open networks are demonstrating more powerful, resilient and profitable business strategies. There are literally thousands of other

projects out there, most of them little known, that are delivering significant value for the commoners.

For many people, it is difficult to accept the proposition that communities without the sanction of money or private property rights can create significant value. Cold, hard cash is nearly always seen as more valuable than something as amorphous and non-physical as an online community. Yet, that is precisely what is happening.

### The Public Domain Morphs into the Commons

Open networks are driving much of the change. The Internet is the über-commons—the grand infrastructure that has enabled an unprecedented new era of sharing and collective action on a global scale. The Internet has facilitated the rise of countless self-organized communities and new technologies to manage social relationships. Thanks to the fantastic drop in costs of computing power, memory storage, telecommunications and open protocols of the Internet, people can interact on accessible global platforms at nearly a zero incremental cost. This is profoundly transforming the central nervous system of modern life.

Ten or fifteen years ago the public domain was regarded as a wasteland. Open networks have changed this. The realm formerly known as the public domain is now highly generative and overflowing with new creativity and content. This is primarily because ‘the people formerly known as the audience,’ as media scholar Jay Rosen puts it, have acquired the capacities to be active participants in their own culture. Through Web 2.0 software platforms, it is supremely easy for dispersed, unorganized people to come together to share, to cooperate and to collectively initiate new projects.

The public domain, once regarded as a wasteland, has become a fertile paradise... a commons.

There is no 'tragedy of the commons' in online life. That's because the creative works and information that we post on the Web are not—as economists put it—depletable resources or rivalrous. They can't be used up. Moreover, the participation of more people not only doesn't use up an online resource, it creates more value! There is a cornucopia of the commons.

Moreover, open networks are transforming markets by enabling talented amateurs, hackers, and other irregulars to pioneer innovations that mature markets otherwise reject as too risky or insufficiently profitable. The commons is able to host idiosyncratic experimentation and creativity that is often too risky and costly, for most communities of social trust out-perform the market and corporate bureaucracies. The commons doesn't have the expensive overhead or imperative to be marketable. The commons can afford to be flexible and customizable, especially to local needs. It has great appeal because it tends to be more culturally authentic than broadcast networks and Hollywood studios that cater to large, lowest-common-denominator audiences.

I call the epochal changes in economic and cultural production The Great Value Shift. In the networked environment that is becoming pervasive we are being forced to recognize that markets, or at least traditional hierarchical institutions such as the corporation, do not have a monopoly on the ability to generate value. It is evident that a great many Web 2.0 platforms have created enormous value by coordinating all sorts of decentralized talent that can only thrive in communities of social trust—places where you can contribute to something larger than yourself, build a reputation, and make an impact.

The renegade economist Karl Polanyi once wrote about the 'Great Transformation'—the point in economic history in the 19th Century when market activity began to

take on a life of its own, and acquire such dominant power that it began to supplant social traditions, community, religion and morality. What we are seeing today, as more of commerce and culture migrate online, is a re-humanizing of economic theory. The Great Transformation is being reversed.

Standard market economics with its focus on quantification cannot adequately explain why people contribute prodigiously to free software, Wikipedia, Facebook, YouTube and countless other online sites, without any compensation. This suggests the need for more innovative, empirical types of economic models—ones that rely upon behavioral economics, complexity theory, and the socio-political principles of commons scholarship pioneered by Elinor Ostrom.

### **Sustaining the Commons Over the Long Term**

If you can acknowledge the importance of the commons, then it follows that we should take affirmative steps to preserve the commons and the special types of value that it produces. Let me suggest four general strategies.

#### **1. Protect the integrity of the commons.**

A first principle is that the value created by the commons shall remain within the commons. At least, it should not be monetized or appropriated without the consent of the commoners. It has been shown that the commons can be protected through various legal innovations, technological strategies, and social norms.

The General Public License, the Creative Commons licenses and the fair use doctrine in copyright law are all legal tools (of varying effectiveness) that help assure that creative contributions to the commons will stay there and be reusable by others in the future. As Larry Lessig has shown in his book, *Code2* (<http://codev2.cc>) and other writings, technological design can also help assure open access and use. Social norms and sanctions are also immensely powerful tools for protecting the commons because people respect rules that they have a role in.

**2. Devise new models for understanding value.** If we are going to get beyond the crude calculus that money equals value, we need to develop a richer set of criteria for evaluating how social communities create value. We need to remember that socially created value is not just about productivity and economic output. It is about people hanging out together, enjoying themselves and being generous towards each other. It's about 'human co-presence.'

From this perspective, it is something of a metaphysical question to ask how an online commons creates value. What is 'value' anyway? That's a profound question that could lead us to more humane goals for our economy. But we do know this: the real value of the commons stems from the web of relationships and the unpredictable synergies that it enables. It is hard to trace cause-and-effect in a loosely controlled context. But the loosely controlled context is precisely what enables certain types of value to emerge in the first place—such as individual self-selection for tasks, passionate engagement, serendipitous discovery, experimental creativity and peer-based recognition of achievement.

From a traditional business perspective, the commons may seem 'inefficient.' However, its real power (from a traditional economic perspective) stems from being able to amass dispersed and specialized consumer preferences, and then to use this knowledge as the basis for innovation in new business models. In today's networked environment, that is a major competitive advantage. This leads me to my next suggested strategy for protecting the commons.

#### **3. Invent new hybrids that blend the market economy with the commons.**

The commons and the market need not be adversaries. Yet it is difficult to balance the very different logic and social dynamics of markets and commons. Conventional market relationships tend to be impersonal, short-term and transactional—while our relationships in a commons are more personal, long-term and enduring. They often constitute a 'gift economy' in which people freely cooperate and share

without keeping strict score of who owes what. To seek a private gain at the expense of the community or to keep rigorous accounting of credits and debts destroys the generosity of spirit that animates the commons.

A related tension involves control and trust. Conventional companies like to exercise extreme control over employees and customers, in part because investors want reliable, predictable results. The paradox is that attempts to assert extreme control in a networked environment undermine trust and performance. If a business wants to reap advantages from open platforms and the commons it needs to understand that it should strive to cultivate trust and not dictate behavior.

Notwithstanding these tensions, there are some intriguing commons-based business models emerging. MIT professor Eric von Hippel documents many of them in his book, *Democratizing Innovation*. He explains how the most passionate users of sports equipment—in extreme skiing, extreme bicycling, hang-gliding, and more—often generate the most exciting new ideas in sports equipment. Companies that have trusting engaged relationships with their biggest users enjoy honest, real-time feedback and thus have the capacity to innovate more rapidly.

Many companies are inventing new business models based on open networks or defined communities of interest. IBM and Red Hat pioneered businesses that revolve around providing services to users of open-source software. There are others that use the power of the Internet to publicize books, film and music in order to sell to people. For example, Magnatune, an online music label lets customers listen to any music for free and lets them choose how much to pay for an album, starting at \$5, with all revenues split 50-50 with the artists. In Brazil, Trama Virtual is a popular platform for new music that has acquired such social cachet that it is able to license its trademark to corporate marketers.

Finally, my fourth suggested strategy for protecting the commons:

4. **Government should actively support the commons, just as it supports the market.** Government does all sorts of things to help markets function well. It builds infrastructure, pays for courts, provides legal protections, promotes trade, and gives out subsidies, among other benefits. Why shouldn't government provide similar support to help the commons work



well? If the commons can produce value efficiently, in a socially constructive manner with benefits to future generations of creators, it certainly deserves as much government support as markets.

Most ideological debates tend to focus on the relative merits of the state versus markets. I consider that a false choice. The commons is a kind of intermediate form of governance and collective provisioning that has its own advantages over large government bureaucracies and impersonal, sometimes-predatory markets. The commons is a voluntary, self-organized social economy that provides important services and goods. It builds social capital. It promotes civic participation. And it often commands greater personal loyalty and moral legitimacy than either governments or markets.

I say it's time to explore how government can play a more active role in nurturing the commons sector and the type of value it creates. I can imagine government agencies putting public information and archives online, developing new laws to recognize the collective interests of a Web community, and defining the legal rights of collective content. Government could provide seed money for commons, much as it provides development assistance and R&D support

to business. Government could also make sure that its trade and economic policies assure a more humane and eco-friendly balance between markets and commons.

While some people will see rich business opportunities in recognizing the commons as a new sector of value-creation, the biggest payoffs may be personal, cultural and social. The commons represents an arena in which human beings can organize themselves in more socially engaged and caring ways.

Professors Yochai Benkler and Helen Nissenbaum have sketched some of the ways in which commons-based peer production contributes to certain virtues—autonomy, independence, liberation; creativity, productivity and industry; benevolence, charity,

generosity and altruism; sociability, camaraderie, friendship, cooperation and civic virtue.

If Benkler and Nissenbaum are correct, then naming the commons as a sector of value-creation is only the first step in a much larger and interesting process. There are some rich veins of wealth to be discovered—and invented—in this arena known as the commons.

We have much to learn. If we are going to reap the benefits of this sector of value-creation, we must fortify the existing commons tools that have taken us this far and invent many new mechanisms of technology, law, economic theory, social practice and cultural understanding.

David Bollier is an independent policy strategist, journalist, activist and consultant with an evolving public-interest portfolio. Author of the forthcoming *Viral Spiral: How the Commoners Built a Digital Republic of Their Own*, he is focused on the politics, economics and culture of the commons. He collaborates with Norman Lear at the USC Annenberg School for Communication and is Editor of [OntheCommons.org](http://OntheCommons.org).

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