Toward a Common Theory of Value: Common Need

by James Bernard Quilligan

Common Goods: A New Look at *Things*

This series of articles looks at the meaning of value in economics. We are pondering the idea of a thing, a common object. Our guidepost is Aristotle's division of basic kinds of things into C (commodities as a means to household satisfaction) and M (things as a means to making money). In terms of the human actions involving things, we have identified C-M-C' (interconnection, cooperation, use value) with the right hemisphere and subjective side of the brain, and M-C-M' (separation, competition, exchange value) with the left hemisphere and human objectivity.

As Part 3 explains, the brain hemispheres seem to project our economic knowledge as a bilateral relationship between society and the individual. Yet this tells us little about the metaphysics that is expressed in our social rules and institutions through *vertical* patterns and standards. This article shows how such top-down models (intellect over instinct, person over property, capital over labor, rich over poor, supply over demand, wealth over well-being, society over nature, State over community, global over local) are just as much a part of economic history and present day policy as the horizontal forms of human exchange described in Part 3.

During the Enlightenment, for example, René Descartes (1596-1650) and John Locke (1632-1704) elaborated *a top-down theory of the human being*. The two philosophers claimed that individual persons are comprised of mental substances, while physical things are comprised of material substances. When the atoms of the material world act upon a mental substance, the person has a private awareness of sensations (colors, sounds, odors, pains and pleasures) which show up as simple appearances. Although these sensations are only secondary phenomena, Descartes and Locke took the empirical view that this sensory information between the things of the material world and the mind must be accounted for separately. Thus, they identified three factors in a person's knowledge of the appearance of a thing: the mental observer; the material object in space and time; and the apparent sensed qualities occurring in a zone somewhere between the mind and the object.

This created an unsettling contradiction, which neither philosopher nor their contemporaries fully recognized. If the human being is essentially a mental substance, *the only relation that the mind has to the body is the awareness of sensory data that occurs when these material substances act upon the mental substance*. The implication here is rather shocking. If human knowledge is built only of this aesthetic, sensory information—the colors, sounds, odors, pains and pleasures which appear to the mind—then *individual human knowledge has no correlation with human interrelationship or intersubjectivity*. In other words, there is only self-interest. The mind controls the body and practically everything else. Human beings act outside of the context of nature, culture and society, without meaningful relations to other living beings. This surprising conclusion seemed to corroborate the theories of Thomas Hobbes (1588-1679), who claimed that the natural state of the world is individual against individual, a war of all against all. Unintentionally, Cartesian and Lockean metaphysics set in motion a hugely consequential idea: *we are all disembodied individuals who engage only in competition with other disembodied individuals*.

History says that, with some exceptions, all things were once commonly owned and used. *Common-pool resources* is the name now given to objects which the right hemisphere of the brain experiences through their fluid and ever-changing nature. These are not mere resources (minerals, pastures, forests, seas, culture, Internet, knowledge), but a shared conception of things as they actually exist. Common-pool resources become commons when people begin to manage them through binding agreements based on both individual needs and mutual sharing. Until the Justinian Code in Rome in 6th century AD—the first State decree to defend the rights of the commons—there is no evidence of governmental protection for common-pool resources from the encroachment of private ownership. In fact, the idea of private goods had little epistemological meaning or legal structure until the 17th and 18th centuries. Yet as modern culture began to define the vast, undifferentiated world of directly experienced objects as sense data which mediate between material and mental substances, the perception of common-pool resources changed dramatically.

As explained in Part 3, the left hemisphere of the brain regards the right hemisphere's experience of the immediate, aesthetic nature of things as incompatible with the reasoned and predictable interpretations of sensory information gleaned through empirical analysis. During the period of world exploration, colonization and globalization in the past several centuries, this rationalism became very pronounced. Through the growing hegemony of the left hemisphere, our shared resources gradually lost their aesthetic wonder and existential significance. The spontaneous and fluid materials of common-pool resources which a person immediately apprehends are now identified as simple appearances—secondary, trivial, emotional aspects of human nature and the natural world. *This change in metaphysical outlook is the basis of a broad political and legal shift involving the control of common property.* Since unprotected commons are likely to be overused and destroyed, it is argued, new structures of commodification and enclosure are required to manage them.

Ironically, *the paradigm of the commons as a form of property has also become commodified and enclosed.* When one looks at current textbooks or Wikipedia entries on the commons, a chart often appears (Figure 1). **How the ideas in this table evolved from the philosophy of economics is an illuminating story.**

Figure 1

Table of Goods

	Excludable	Non-Excludable
Rivalrous	Private Goods	Common Goods
Non-Rivalrous	Club Goods	Public Goods

In the three sections that follow, we recount the history of private, public and club goods. We show how these types of property are based on an underlying contradiction between supply and demand in economics, which originates in the mind-body split of metaphysics. *The last two sections reveal why many people, who see the commons as a unique expression of collectivity and sharing, still define them through the laissez-faire principles of individual utility.* We also explain why these factors prevent society from preserving and regenerating our common resources and sustaining the conditions conducive to life.

Private Goods: Denaturing the World through Self-Interest

By applying the laws of natural science, astronomy and physics to social behavior, a number of theorists helped transform Europe from a religious to a scientific civilization during the 18th century. In this new discourse on economic value, Locke's view of the person—a mental substance with no ideas or conscious content until it is affected by the sensations and their appearances arising through the human body—was of major significance. Since the body is a physical substance just like any other physical property located in public space, said Locke, individuals have a right to take and use commonly held natural resources to meet their needs. By mixing one's labor with a resource, a person may assert the right to its ownership.

Locke's only stipulation was that in acquiring this unowned property through improvement or development, a person must "leave enough and as good" for others, particularly if this resource is needed for their survival and well-being (*Second Treatise of Government*, 1690). Despite this 'proviso'—that others should not be left worse off from an individual's claim to private property—the value of things is still expressed in terms of individual activity and personal development, not community interest. Just as the mind owns the body, Locke reasoned, so a person is entitled to own property. Yet this premise—that the mental substance of the mind has a *prior* relationship such as ownership with the material substance of the body—denies any basis for the social good or social cooperation. Thus, in Locke's view, the possession of property is ultimately an individual behavior, not a collective one.

David Hume (1711-1776) took this a step further, saying that the individual is simply an association of sensed items. A person may interpret this sensory data as *what is* (facts which are discovered through reason, description, empiricism) or *what ought to be* (value which is discovered through norms, prescription, consensus). This reveals a basic distinction between reason and desire. Yet for both mind and body, Hume asserted, the introspected information of the senses is the entire basis of personal knowledge and has no necessary or organic connection with other people. Simply put, individual sensory information is all that exists in human experience.

In tandem, the work of Locke and Hume had a profound impact. Their claim that human knowledge arises solely from the empirically apprehended data of the senses led many analysts to conclude that the economic system should operate just like the individual—an autonomous, self-governing machine without external control or regulation. Through this highly individualistic model, *the classical economists began to conceive of things, not as common resources based in the traditions of moral philosophy, but as private utilities arising from the new metaphysical foundations of personal economic behavior.*

Adam Smith (1723-1790) initially agreed with Aristotle that the value of a thing could be seen in terms of both its value in use (usefulness) and its value in exchange (purchasing power). But in drawing upon the individualism of Locke and Hume, he veered away from this position and defined objects mainly in terms of their value in exchange. To measure exchange value, Smith focused on the labor that went into the production of goods. When individuals pursue their self-interest through competition, he asserted, they increase the productivity of labor and the value of the goods which they produce, thereby increasing the wealth of the community.

John Baptiste Say (1767-1832) was deeply influenced by Smith but disputed his theory of value. Say defined the essential principle of classical economics: *supply (production) is more important than demand (consumption).* After all, he said, goods cannot generate value if people don't want them, no matter how much labor goes into making them. Value is created when producers recover the costs of production through the consumption of their goods and services. Consumption devours utility, Say maintained. But production, saving and capital formation increase utility, resulting in wealth.

David Ricardo (1772-1823) also believed that value stems from the cost of production and supply, rather than demand. Labor, arising through human efforts as a cost of production, is a measure of the value of goods in exchange. Labor productivity, he claimed, generates exchange between traders. In turn, exchange adds value, which benefits the whole of society. From a different angle, Jeremy Bentham (1748-1832) developed a psychology of human preferences from Hume's insight that fact and value are entirely separate realities. By focusing on personal value, he explained, every individual seeks to maximize pleasure and avoid pain. Whatever creates the greatest amount of pleasure is good and whatever creates the most pain is evil. From this, Bentham derived the moral principle that one should always act to create the greatest happiness for all living beings.

These streams of thought came together in the economics of John Stuart Mill (1806-1873). Mill agreed with Locke, Hume, Smith and Say on the importance of maximizing individual freedom through the law of free competition and the creation of private goods. He concurred with Ricardo that labor productivity is the source of economic value. Mill also adopted the psychological theories of Hume and Bentham—that people look at their wants introspectively and prioritize them by degrees of preference, which the marketplace then aggregates on a scale ranging from pleasures to pains. Like Bentham, Mill concluded that it was the responsibility of the State to maximize the pleasure and minimize the pain of the greatest number of people. Through Mill's influence,

Figure 2

Key Error in the Philosophy of Economics

mental substance — material substance

rational and theoretical inference — aesthetic and intuitive experience

sensations and preferences

personal utility

laissez-faire individualism became the economic and political foundation for the good society in many Western nations during 19th century.

However, in distinguishing the concept of private goods from common-pool resources/commons, *classical economics committed a key metaphysical error* (Figure 2). It created a realm of sensory data, wants and expectations somewhere between the mentality of the perceiver and the physical object. This was a crucial turning point. This single change in philosophy transformed the prevailing social agreement about human nature and the nature of reality for Western civilization. The empirical basis of common-pool resources was no longer the spontaneous, undifferentiated flow of immediately apprehended things in the natural world or the naturally cooperative relationships between human bodies. Things are now defined by the *objective interaction* of the individual's material and mental substances through the senses and the *subjective valuation* of the individual's wants and preferences.

Today, we buy and sell commercial products (hamburgers, televisions, lawnmowers, cars) without considering how different these are from the basic kinds of goods which Aristotle described —things with life-affirming immediacy and long-term sustainability for the household and community. *Through the domination of exchange value (M) over use value (C), the meaning of common-pool resources has been recast as the utility of goods and services.* This is how the cognitive category 'private' was imposed on the common resources vital to human sustenance.

Public Goods: Failing to Produce Subjectivity

Immanuel Kant (1724-1804) recognized that objects and persons are not simply an association of empirical, inductive impressions given through the senses. Human knowledge arises through the formal, regulating concepts that are brought to this sensory information by the knowing or observing mind. Indeed, said Kant, it is because we all have the same categories of understanding (of space, time, substance, relation and causality) that we are able to know the same world.

Following Kant, the public sphere in 19th century Europe took on a new meaning. Through the influence of Kant's transcendental categories on government social policy, a new kind of 'public ego' evolved—a collective identity for all the differing persons of a nation. Instead of liberating the multiplicity of these individual knowing egos and ensuring their social diversity, however, the personal selves of citizens were swallowed up into the absolutism of the State. During the 20th century, the independence and freedom of the individual came under sustained, violent repression in the name of the common good, resulting in Russian communism, German fascism and other authoritarian regimes. Meanwhile, the liberal doctrine of the public good in democratic nations—with the State enhancing the subjectivity of life, liberty and property for the benefit of citizens—also assumed the institutional character of a singular transcendental self. This is evidenced by the huge expansion of federalism in the United States and many other nations during the 20th century.

Bentham and Mill declared that the social good rested on 'the greatest happiness for the greatest number'. Yet classical economists could not explain why the wages of workers frequently decline when profits and rents increase. Ricardo and Mill demonstrated how the costs of production determine the price of goods and labor. According to their theory of labor, only the effort that goes into the production of a good can account for its value. Karl Marx (1818-1883) updated this argument for the industrial era: it's actually the bodies of workers that generate value. This new doctrine of labor value sparked a vigorous social movement in the 19th century, as workers recognized they were receiving only a small percentage of the profit for the products which they created. Marxism and socialism inspired laborers to challenge the ways that capital was exploiting them.

Classical economics said that value is comprised of the subjective valuations of individual consumers. To some economists, however, there was no logical foundation for Smith's 'invisible hand,' which implied a kind of *deus ex machina* or godlike adjustment in supply and demand, guiding self-interest inexplicably toward the social good. The macroeconomics of John Maynard Keynes (1883-1946), developed in reaction to the highs and lows of the world economy during the 1920s and 30s, was a sort of psychoanalytic technique set in the context of economics. As students of Freudian psychology recognize, the conscious (ego) pursues its course with little regard for the demands of the unconscious (id) until this denial results in a psychic crisis. The conscious and unconscious must then be integrated by allowing the repressed contents to surface. Keynes developed a similar diagnosis and cure for national economies.

He said that the supply-side focus of modern economics had led society to expect a steady state of growth and wealth accumulation. Indeed, when investment is greater than savings, prosperity and employment are generated. But when the production of goods outpaces demand and savings grow larger than investment, there is little incentive for new spending by consumers whose incomes are declining through producer overcapacity, job layoffs and stagnant wages. The psychological subtext: there is an overemphasis on supply which is driven by the aggressive rationality of the brain's left hemisphere, and an underemphasis on human need and demand expressed through the idle connectivity of the right hemisphere. The market has no way of restoring balance without a more equitable relationship between supply (driven by ego) and demand (driven by id).

Keynes' solution: create effective demand by raising people's wages and stimulating consumption and investment through government intervention in the economy. This will loose the depressed human unconscious and free the 'animal spirits' of consumers, bringing the economy back into balance. In essence, Keynes asserted, Say's Law is wrong. Supply does not create its own demand. Because it encourages investment and thus greater creativity, innovation and freedom, *consumption is more important than production.*

Paul Samuelson (1915-2009), a disciple of Keynes, developed a theory of public goods ("The Pure Theory of Public Expenditure", *The Review of Economics and Statistics*, 1954). A public good, he said, is a thing "which all enjoy in common in the sense that each individual's consumption of such a good leads to no subtractions from any other individual's consumption of that good." Samuelson saw private goods as rival (or highly competitive) and public goods as non-rival (or less competitive). Goods which are scarce and competitive, like oil, technology and buildings, should be kept private since they generate profit. Goods which are more abundant and less competitive, like knowledge, public safety and clean air, should be managed through government since they are less profitable.

During the past century, many people have come to expect government to provide them with healthcare, education, security, legal systems and a pollution-free environment. The idea of provisioning these public goods for citizens actually germinated in the 19th century with Ricardo's definition of labor as a cost of production. Marx hoped to integrate production and distribution through his own labor theory of value. Henry George (1839-1897), Silvio Gessel (1862-1930) and numerous others also developed innovative structures for reconciling individual incentives and responsibility with socially cooperative rules for property and money. In the 20th century, there were countless attempts to generate a fairer distribution of resources through the socialist programs of nationalization and the communist path of central planning. In the liberal Welfare State, taxes were increased for the benefit of the poor, but social policy became ensconced in fiscal budgets, partisan politics and corporate lobbying.

In all of these varied plans for reversing the overdetermination of the supply-driven market and regenerating the distribution of goods through society, there is a huge blind spot. Those who seek equitable alternatives for private goods have been unable to develop a theory of value as powerful as the idea that the State generates subjectivity through the redistribution of public goods. What is lacking in most proposals for structural reform is a sober understanding that *constitutional government is expressly dedicated to securing the distribution of private goods.* The State was created to legislate and enforce—not resolve—the struggle between the few who control the commons and the many who are dispossessed from the commons and their management.

As people through the ages have recognized, there is great need for a global system of common wealth that expands human capacities for collective production and the provisioning of resources through self-government. The global commons cannot flourish under a transcendental moral ego like the constitutional state, in which capital and rule of law define the meaning of property. Public oversight of private goods results in the individual aggregation of power and wealth through the isolation and seizure of customary properties—legally organized theft of the resources which are a vital part of human nature and the nature of all things. *Public goods fail to produce human subjectivity because individual freedom of choice does not flow from an abstract universal ego.* Freedom arises only from the local, individual moral agents who share goods through socially binding agreements that create self-worth, provide shared meaning and affirm life.

Club Goods: Microeconomics and the Regime of Preferred Pleasures

Aristotle had proposed keeping the economic world of market exchange separate from the world of ordinary use. But classical economics blurred the distinction between the short-term exchange price of things and their long-term useful value. This is why Marx resurrected Aristotle's distinction of C (household/community goods) and M (money-making) by equating labor value with use value. Following the explosion of labor unrest in the mid-19th century, the capitalist world was desperate to find a different solution for the problem of subjectivity in economic value.

Working independently during the 1870s, several scholars launched the neo-classical school of economics. They maintained that Aristotle's contrast between use value and exchange value had created a false dichotomy, since the quantitative value of goods in exchange was already expressing the qualitative dimension of goods through utility or price. Their new scientific principle of consumer demand regrounded economics back in the laissez-faire individualism and private goods of Smith, but also challenged the classical idea that the cost of production determines value. *Use does not create value,* the neo-classicists urged. *Utility creates value.*

Leon Walras (1834-1910) showed that Smith's invisible hand of individual competition actually does maximize social welfare. Through a set of equations between persons undergoing commodity exchange, he demonstrated that the free market seeks its own balance. Prices change according to supply and demand, tending toward equilibrium and the maximum satisfaction of social wants. Carl Menger (1840-1921) proposed that economic value is based on more than Bentham and Mill's introspected pleasures. Economic worth can be derived empirically, not through an intrinsic basis of value like labor or production costs, but from the immediate wants of consumers. Menger showed that price is determined by a person's strong preference for a product (through personal need) or weak preference (from already having enough of the product). Hence, the value of all goods is completely dependent on the subjective valuation of costs, which is set in the margins of the product's benefits. Supply is driven by demand.

William Stanley Jevons (1835-1882) developed a similar idea. Value is a not a thing or an inherent property of a thing, he declared. A good varies in value according to how much a person already has or doesn't have of it. This, in turn, is a measure of the happiness or pleasure which the good brings to the individual, which is known only through personal introspection. Jevons showed that when commodities are exchanged, their value may be expressed as a numerical ratio. This ratio reflects the strength of people's preferences for things (through demand) as well as the overall scarcity or availability of these things (through supply). The degree to which consumers value the additional units of goods, measured statistically through their marginal utility, determines their price.

The neo-classical revolution culminated with Alfred Marshall (1842-1924). Now that the field of political economy was a unified mathematical science, he proclaimed, the mystery of price and value had been resolved. *The classical economics of cost and profitable production (objective supply) are perfectly balanced with the microeconomics of consumer utility (subjective demand)*. As supply increases, people's use increases. But as need is satisfied, people's use decreases and thus the supply decreases. In *Principles of Economics* (1890), Marshall declared, "We might as reasonably dispute whether it is the upper or the under blade of a pair of scissors that cuts a piece of paper, as whether the value is governed by utility or cost of production."

This new subjective reality—of human preferences and demand directly determining the prices of consumer goods through their relative scarcity or abundance—created a powerful argument against those who believed that the State alone generated subjectivity through the redistribution of goods. Also, because the marginal productivity of labor determines wages, this new field of microeconomics provided strong ideological ammunition against socialists and Marxists who blamed capitalism for the suppression of labor rights, wages and purchasing power.

Microeconomic theory, politically outflanked by Keynesian macroeconomics, remained on the fringes of economic policy in Western nations until the 1960s and 70s. When government programs for public goods failed to sustain social production through labor, higher wages, countercyclical spending and social welfare, Keynes' ideas came under attack from various quarters. Monetarism, free market economics, rational expectations theory and the schools of Ludwig von Mises and Friedrich von Hayek all launched scathing critiques on the redistribution of resources. The public goods of the bureaucratic State were not being provided optimally, they charged, which was causing high taxes, overregulation, corporate subsidies and the erosion of individual freedom and personal choice.

James Buchanan (1919-2013) also worried that public administration and welfare policy had grown too large to allocate goods and services effectively. Samuelson's category of public goods was too broad, he said. Society needed pluralistic structures of decision- and policy-making which are based on an individual assessment of benefits, just like the subjective cost analysis of the neo-classical economists. In "An Economic Theory of Clubs" (*Economica*, 1965), Buchanan explored the degree to which individuals can be excluded from consuming things. Between the extremes of *all users of public goods* and *the single user of private goods*, he observed, there is also the *use of goods by groups of individuals*.

Figure 3

A New Category of Goods is Identified

public goods all users	club goods group users	private goods individual users

This middle sector Buchanan called *club goods*, defined by the utility that benefits a small club or association. This includes social clubs, golf courses, cable television, and patented and copyrighted materials. A member's fee may be lowered by increasing the number of users for these goods, but only to an optimum level of demand, thereby restricting the size of the group. Since the benefits gained from membership are worth more to the individual than the cost of membership, Buchanan noted, these limited groups can distribute and consume goods more efficiently than public goods. While he objected to the abstruse mathematical models and aggregate data of microeconomics, Buchanan agreed that *prices and costs—determined by final consumer demand and their relative marginal utility—could reunite capital production with social distribution if they are deeply grounded in individual choice.*

'Rival' and 'Exclusive': The Commons as Utility

During the 1960s and 70s, Buchanan's ideas were a primary influence on Vincent Ostrom (1919-2012), Elinor Ostrom (1933-2012) and their colleagues at Indiana University, who were interested in the polycentric management of common-pool resources. The Table of Goods in Figure 1, created by associates of Buchanan and other microeconomists, was adopted by the Ostroms and the growing commons community. It indicates that the primary issues in the use and access of goods are whether they are *rival* or *non-rival;* and whether they are *exclusive* or *non-exclusive*. What does that actually mean? Building on the earlier sections of this article, we are now in a position to examine these concepts.

First, **rivalry is a judgment arising from the logic of supply.** The question is: *does the use of a good by one person preclude others from using it?* It's easier to limit access to *depletable* goods like timber, gold, oil or fragile ecosystems than to limit access to *replenishable* things like culture, knowledge, digital information or gardens. Essentially, the issue of whether resources are replenishable or depletable is an empirical matter. We know from the complexity sciences of information, physics and biology that a common-pool resource is made up of both a stock (a central resource) which is protected to keep it sustainable for the future, and a flow (a limited quantity of peripheral units) which may be harvested and consumed. It's quite straightforward. When this physical reality is translated into economic policy, however, something goes amiss.

In theory, market prices are supposed to provide a self-adjusting system based on the ordered preferences of individuals. Yet, when market prices result in excess consumption, the typical market solution is to reduce the stock (supply), which subsequently reduces the flow (demand). Without careful management, the stock may be unable to regenerate or restore the flow to previous levels. Thus, despite the claims of ideologues, *market prices do not operate as a complex, interactive system in which the resource stock is preserved and the resource flow is replenished, creating optimum levels of consumption.* In practice, the rivalry of goods—the degree to which one person's consumption diminishes another person's consumption—is a qualitative decision made on the supply side of the market. Unlike the feedback signals in an ecological system, rivalry is conditioned only indirectly by the physical depletability or replenishability of a resource. Rivalry is mainly an expression of the competition by producers to increase consumption by manipulating supply—'build it and they will come and buy our products.'

Second, **exclusion is a judgment arising from the logic of demand.** The question is, *to what extent can a person be prevented from consuming a good?* It's hard to exclude individuals from using resources like fisheries, seas, forests and the broadcast spectrum, but easier to exclude them from food, clothing, appliances and houses. Inhibiting people's access and use of goods through prices, copyrights and patents creates the appearance of a scarcity in supply. Indeed, scarcity is sometimes caused by an actual lack of resources; yet the issue of exclusion is not primarily an empirical matter. It is mainly created through the circular logic of utility: *make resources scarce to generate new productivity and wealth so that people will have enough money to meet their needs for scarce resources.*

Figure 4

Consumption of Goods as Utilities

	High optimization of consumption (through enclosure of things in demand)	Low optimization of consumption (through enclosure of things in demand)
High competition for consumption (through commodification of things in supply)	Private Goods	Common Goods
Low competition for consumption (through commodification of things in supply)	Club Goods	Public Goods

Although microeconomics says that objects have no real value unless they are priced, nature demonstrates that prices have little connection with the sustainability of natural stock and flow. The optimization of consumption—the idea that 'demand will follow supply'—does not honor the natural cycles of the planet or the wisdom of human bodies. The fear of scarcity and the drive to overconsume arise in the mind, not the body. The mind seeks to multiply a stock, but the body regulates its needs naturally through flow. The subjectivity of natural human potential which we are constantly generating (through metabolic cycles, creative labor, self-actualizing motives, human dignity, non-violence, human welfare and the common good) is not enhanced by manipulating demand to make goods artificially scarce and prevent people from their access and use.

Third, **the academic commons community still views goods as utilities.** To their great credit, the Ostroms and others have debunked the tragedy of the commons—the idea that resources are inevitably ruined by users trying to maximize their short-term utility. It's become popular now to say that rivalry and exclusion predate capitalism—that they are the timeless principles arising from community rules, customary traditions, norms and practices for the management of a commons. But let's acknowledge where these principles originated (Figure 4).

When the definitions of supply and demand are applied to the Table of Goods, it becomes clear how unstable these types of goods—public, private and club—actually are. They are not *a priori* forms or basic kinds of things, but arbitrary distinctions arising from the practices of

- commodifying the things in supply to compete for their consumption (rivalry)
- enclosing the things in demand to optimize their consumption (exclusion)

These assumptions and relationships involving property do not arise from the commons. They are the *definitions of supply and demand which the commons community has adapted from the values, institutions and power structures of microeconomics and the neo-classical framework of property rights.* They qualify the access, withdrawal, management and exchange of things through the long-term interests and competitive structures of utilitarian economics—not, as the original Table of Goods suggests, through the informal and cooperative rules and norms of people negotiating their rights to a commons.

This leads to a fourth point: **property rights and utility preferences have become thoroughly blurred in modern society.** Rivalry is the degree of competition for the consumption of a good. Exclusion is the degree to which the consumption of a good can be optimized. They are not absolute measures, but scales of value. The range of choices here—between high and low rivalry and between high and low exclusion—may seem familiar. Behind the categories of property ownership in the Table of Goods is the *preference scale of marginal utility theory*—the claims arising from the introspected, psychological wants of the individual.

Figure 5 shows the scale of preferences that exists implicitly between common, public, private and club goods. Now we see how property rights have become a proxy for the utilitarian preferences of individuals. The user of property ranks commodities in a sequence of preferences and chooses the one most optimal. Some people prefer to use things as common-pool resources or commons. Others want to turn them into public goods or private goods, or pursue the advantages of a club good. Notice that in moving up this scale of preferences, the legal structure of common property loses its significance. Clearly, *this is less a process of social negotiation over the rules and norms for the use and access of a good, than of the individual user maximizing the highest net benefit through the lowest marginal cost—matching one's preferences for a good with the price one can afford.*

Figure 5

Marginal Utility of Property Preferences
(ascending from least to most utility)

Private Property
Club Property
Public Property
Common Property

Lastly, **commons analysts cannot mount a meaningful challenge to the capitalist system of property because they are still embracing its assumptions, structures and terms of reference.** Academic research on the commons has been unable to show how human behavior involving the co-governance and co-production of a commons is shaped (more or less) commensurately by the human brain, the mind and culture, and social relations. Despite numerous references to qualities like goodwill, trust and cooperation in commoning activities, the attributes of *interior human development* in commons studies are usually identified as disaggregated or exogenous variables (just like the externalities which microeconomists push off their balance sheets).

When psychological preferences are masked as property rights, reducing interior qualities into their institutional correlates, this assumes *a causal interaction between mind and body based solely on the evidence of outward behavior.* Through this behavioral causality, there is no foundation in human consciousness—no internal origin, validity or morality—for disputing the formal rationality of rivalry and exclusion.

This is the broken metaphysics of social science's version of the commons. By putting the commons in a box—making common goods co-extensive with private, public and club goods—*the academic community has unleashed marginal utility theory ever more deeply upon the commons,* demonstrating a greater commitment to individual than collective interests.

Getting Commons Out of the Box: The New Metaphysics of Society and Nature

This situation began when economists became fixated on Locke's view that human sensations are empirically apprehended data presented to the mental substance of the mind, and that there is no identifiable relationship between one mental substance and other mental substances. This created a metaphysical split between mental knowing and physical objects, generating an economic imbalance between supply (stock) and demand (flow). In parallel, Hume's dichotomy between fact (what is) and value (what ought to be), which influenced Bentham and Mill, led to the reduction of human behavior into personal preferences. By narrowing all human decisions to the maximization of self-interest, *neo-classical economics has emphasized the individual freedom to build a surplus of resource stocks, but cannot fathom how to restore the deficit in resources flows which that surplus may create.*

This is why the commons are so compelling. The maintenance and restoration of fisheries, grazing land, forests, water, seeds, indigenous traditions, information and digital flows return us to how the world actually works. Our experience of things is neither the things themselves nor their appearance in the mind—it is things in relationship and community, things experienced through social practice and the sharing of resources. This places the locus of conscious choice back into the human body and its relation with other bodies. The individual is an embodied being working together with other embodied beings to regenerate the life-giving flows of common things to meet the needs of all.

We can only get the commons out of the box—reuniting price and value—by truly embracing the Earth as a living system. This calls for an entirely new model of economic development, expressing individual fulfillment and social sharing through our collective intentions and actions for sustainability. That is the promise of the commons: the reintegration of the individual with society and nature through the practice of preserving and replenishing our shared resources.

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Looking Forward: A Note to Readers

Two years ago, I took a hiatus from work in international economics to begin this ten-part series for *Kosmos Journal*.

I wanted to invite people to consider the broader issue of value on which our economic system is based.

Because the challenges that society faces are so daunting, I've tried my best to simplify the ideas in "Toward a Common Theory of Value" without underestimating anyone's capacity to understand their larger meaning.

So far, we've covered the topics of Common Being, Common Trust, Common Knowing and, now, Common Need.

Over the next three years, we will also explore:

Part 5 - Common Development
Part 6 - Common Will
Part 7 - Common Language
Part 8 - Common Culture
Part 9 - Common Nature
Part 10 - Common Vision

For the new thoughtform of common value to be applied in economic and social policy, we must embody it fully.

That's why I'm truly grateful for the enthusiastic response of *Kosmos* readers.

I especially enjoy hearing that, on a second or third reading of an article, people are having an *aha* experience with the proverbial lights going on in their heads.

To me, that's the beginning of common value.

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