Tweaking Ownership To Optimize Resource Use

Lawrence Lessig on The Gridlock Economy  Lawrence Lessig is a Professor of Law at Stanford Law School and founder of the schools Center for Internet and Society, as well as CEO of the Creative Commons project and the author of Code, Free Culture, and The Future of Ideas. In an exclusive guest review for Amazon.com, Lessig shares his praise for The Gridlock Economy and its sizable contribution to the economic policy debate. For forty years, the tragedy of the commons has set the frame for an extraordinary range of social, economic, and legal thought. It oriented policy prescriptions. It set the baseline on reasonable policy alternatives. Its strong conclusion in favor of assigning property rights whenever possible has had a profound effect on everything from intellectual property
policy to spectrum regulation. Its simple, intuitive analysis became second nature to a generation of policy makers. Hellers book, The Gridlock Economy, completely inverts this framework for some of the most important policy questions we will face in the digital age. His clear and beautifully crafted analysis is absolutely compelling, and will fundamentally change the debate in core policy areas. There are very few books that reorient a field. Almost none that reorient many fields. This is in that almost none category: Paradigms will shift. Many of them. --Lawrence Lessig


This is a fascinating book. Michael Heller says he got the key insight to the problem he describes in this book in the faulty way the old Soviet Union tried to create private property upon its dissolution. For example, let's say you have been operating a store and with the return of private property, you might expect that you would either get the store or be able to buy it from the state or some such process that would let you continue operating the store. However, you forget that all those Soviet bureaucrats have to get property too! So, some people formerly with the government would also be assigned rights of ownership to the property and your store. This means all of you need to share in its profits and must agree on how it is to be operated. Unfortunately, this also empowers the owners who have no real interest in working the store. They will demand to be bought out in order to let the store function. So, the store cannot function and will be closed with the building sitting vacant. Was society improved by this process?

We all know about the problem of commons. Say there was a well producing apple orchard that we turn into a park that no one owns and everyone can use as they see fit. Will the apple trees be tended to? Will the apples be disturbed to those who need it? Or will the trees be untended, the apples taken by those who want to hoard or sell them, or might the trees be cut down for their wood? All we know is that the orchard will be destroyed. Private property, rightly assigned, can protect resources by those who have an interest in their continuing. When ownership becomes too granular, what Heller calls anticommons, it freezes assets and keeps them unused just as surely as the commons problem does. If that apple orchard were owned equally by 1,000 people who each had a portion of each tree, gridlock would set in because nothing could be decided and nothing would be done to care for, harvest, or use the tree productively.

The author uses many real life business stories to illustrate his points. I found his arguments interesting and very much worth thinking about. His central examples focus on the way our current patent laws for medicines and pharmaceutical manufacturing prevent the creation of new and beneficial medicines. He also shows why our radio spectrum is mostly empty because of the crazy way we license it. The United States is far
behind in the products and services available in our telephones, TVs, radios, and other uses of this precious resource. Leaving it unused is just as silly as overuse. We also get a tour of how less than optimal private solutions are created when government creates either a commons or an anticommons problem. Heller then takes us to Moscow and shows us the mess there and offers some steps we can take to fix problems in our own economy.

Good reading.

Reviewed by Craig Matteson, Ann Arbor, MI

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