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The Tragedy of the Commons, Contracts and Environmental Economy

The aim of the paper is to clarify the nature of environmental economics through a critical examination of the tragedy of the commons which forms a paradigm case of environmental problems. One of the reasons for our study stems from the incoherent treatment of the problem by Garrett Hardin. His main interest lies in the destruction of natural resources caused by uncontrolled population growth, which he turns into a criticism of the United Nations' population policy based on the Universal Human Rights Declaration. In spite of this, his closer analysis of the tragedy and the solutions he offers to it are tied to the logic of market economy rather than population growth.

Our purpose is thus to specify the various historical-institutional conditions under which a tragedy of destroyed resources arises, and which again determine the range of possible solutions. One of our methodological means is to compare the environmental tragedies and their solutions with the Hobbesian notions of state of nature and social contract. One basic difference has to be noted here, however. While the Hobbesian notions are theoretical constructs the purpose of which is to justify the political power of the sovereign, the environmental problems are real life facts, the solution of which requires genuine contracts to regulate the function of the market mechanism. One is also bound to ask, what are the real forces that may bring forth the environmental contracts.

It turns out, firstly, that environmental tragedies not only rise in the case of common resources. Competition in the markets implies a paradox of private ownership: natural resources are also destroyed when they are privately owned. The market economy thus demolishes its own social basis as well. Secondly, the present proclamation of the free trade ideology counteracts all suppositions that global corporations would consider themselves as members of a Hobbesian state of nature in need of environmental contracts. It rather supports the view of increasing competition over natural resources.

One may say that the interest in sustainable development is much stronger among those whose economic activity is less intensive, and who may thus be called secondary economic agents. Within the common pasture example these might include, for instance, the inhabitants of a nearby village, accustomed to pick up the berries and mushrooms growing in the pasture, while the herdsmen are considered as primary economic actors. Interestingly enough, the secondary actors have no role in the Hobbesian political theory, nor in the neoclassical economic theory. Their point-of-view and interests need, on the contrary, to find a strong representation in environmental economy as well as in all environmental research.

The secondary actors represent the requirement to preserve the environment in the sense of human life environment, which thus should form the starting-point of all environmental research. The second sense of the term 'environment' is the environment of the firm. It absorbs the requirements to preserve the life environment as a result of the political activity of the secondary economic actors, which no longer should be considered as mere political activity, since it forms an essential part of sustainable economy itself.

We shall finally discuss four models of theory-practice relations relevant for environmental research and environmental economy, in particular. We claim that each model has its relevance within the various types of environmental problems. We conclude with the remark that the solution of environmental problems presupposes both institutional and moral changes as well as changes in the views concerning man-nature relationship, while the latter two are closely tied to changes in institutional systems.