

# Tragedy of the Anticommons

by Dr. Ismail Ab Jamal

*Member, WIM Corporate Membership Committee*

It is a tragedy that unemployed graduates are not interested in agriculture, since graduate unemployment could be ameliorated if they were. It has been estimated by the Minister of Agriculture that in five years, close to 500 experts would be needed in agricultural research institutes. Further, the Minister said the participation of local graduates was vital to boost the agriculture sector, the third biggest contributor to gross domestic product (GDP) after manufacturing and services. He said his ministry had allocated an initial RM9million to revive the unemployed graduates training scheme but it was not well received.

This is a classic example of the tragedy of the anticommons, which occurs when graduates as rational individuals, acting separately yet collectively, waste a given agricultural resource or opportunity by under-utilising it. This happens when too many individuals have rights of exclusion to a perceived scarce resource.

Over the past thirty years, macroeconomists thinking about aggregate labour market dynamics have organised their thought around two relations, the Phillips curve and the Beveridge curve.

Labour markets in most developed countries are characterised by huge gross flows. In Malaysia, hundreds of workers may have moved either into or out of employment every month. While that movement could be consistent with workers reallocating themselves across a given set of jobs, recent

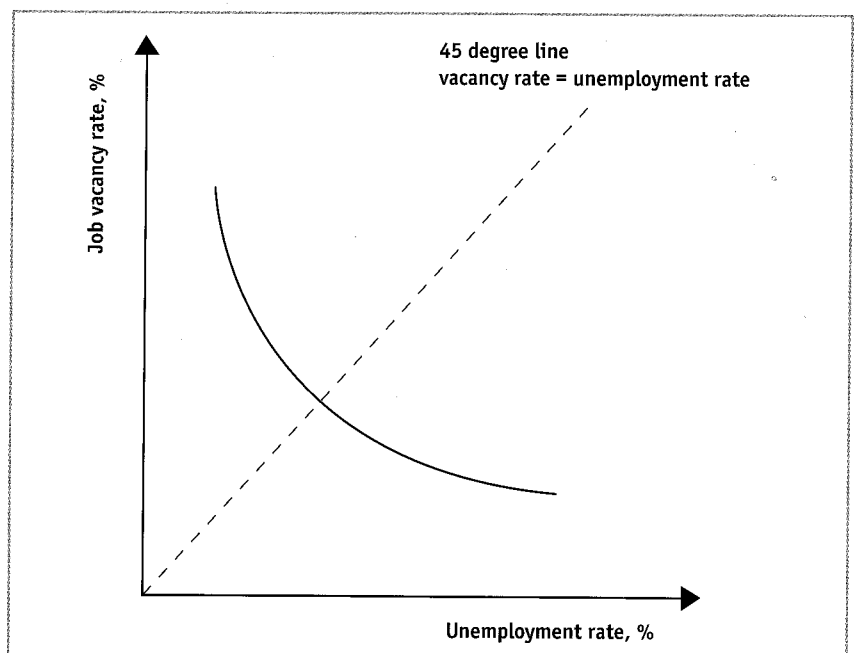
evidence by economists suggests that these flows are associated with high rates of job creation and job destruction in the context and pretext of defining "K-workers for the K-economy." From a macroeconomic viewpoint, the Malay-sian labour market is highly effective in matching workers and jobs, yet those flows are so large that they imply the coexistence of unfilled jobs and unemployed workers.

Examination of the joint movement of graduate unemployment and vacancies can tell us a great deal about the effectiveness of the job matching process, as well as about the nature of shocks affecting the labour market

vacancies.

In a stable macroeconomic environment, it is the norm that a NAIRU (non-accelerating inflation rate of unemployment) type Phillips curve relationship holds – in the longer run, the Phillips curve becomes vertical, and in the short run, the expected rate of inflation, supply-demand gaps and supply shocks determine the inflation rate. In Malaysia, many graduate vacancies in the agriculture sector have yet to be filled as most unemployed graduates regard it as a "last resort" area for jobs. But of course, we do have isolated cases of marine engineers working in Felda schemes managing boilers instead of

**THE BEVERIDGE CURVE**



supposedly engaging themselves at the local shipyards.

For Malaysian jobless graduates, these scarce resources are job opportunities that match their competencies which can be construed as "low-hanging fruits." This paradoxical situation (the "anticommons") is contrasted with a commons, where too many individuals have privileges of use (or the right not to be excluded) to a scarce resource. The tragedy of the commons is that rational individuals, acting separately, may collectively over-utilise a scarce resource. The term "tragedy of the anticommons" was originally coined by Harvard law professor, Frank Michelman and popularised in 1998 by Michael Heller, a law professor at Columbia University.

Both scenarios look pretty mind-bending when the concepts are applied to the case of unemployed graduates in Malaysia. For instance, Cyberspace was once thought to be the modern equivalent of the Western Frontier, a place, where land was free for the taking, where explorers could roam, and communities could form with their own rules. It was an endless expanse of space: open, free, replete with possibility. This is no longer true. We can argue we are enclosing cyberspace, and imposing private property conceptions upon it. As a result, we are creating a digital anti-commons where sub-optimal uses of Internet resources are going to be the norm, and neglecting the other reality frontiers, such as the abundance of opportunities in the agricultural sector, that was once the engine for Malaysian economic growth.

## JOBLESS GRADUATES AND PRIVATISATION: Modern equivalent of the Anticommons Tragedy in Malaysia

Privatisation is frequently associated with industrial or service-oriented enterprises, such as mining, infrastructure, manufacturing or power genera-

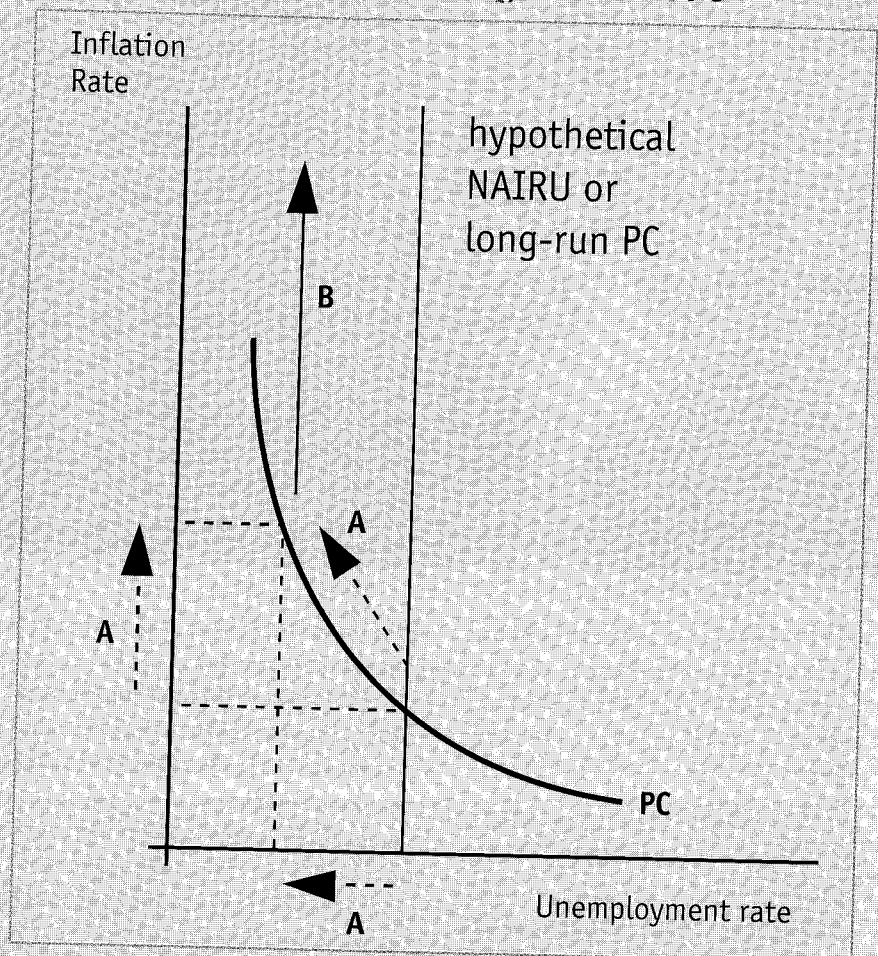
tion, but it can also apply to assets, such as land, roads, or even rights to water. Water is an abundant substance in Malaysia and it exists in many forms, such as rivers, streams, waterfalls, lakes, rain and seas. In recent years, government services such as health, public roads, public communication systems, sanitation, and education have been particularly targeted for privatisation in many countries.

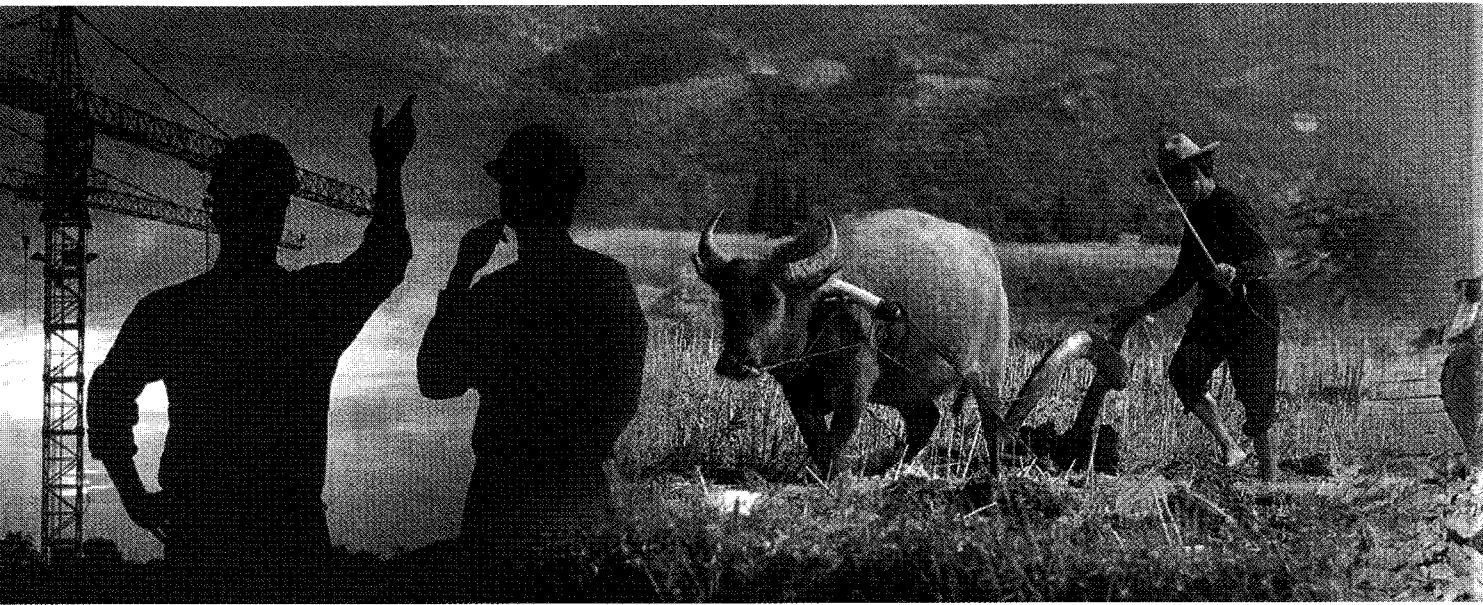
The basic argument for privatisation is that governments have few incentives to ensure that government-owned enterprises are well run and can actually create job opportunities, especially for the graduates. On the other hand, private owners, it is said, do have such an incentive: they will lose money if businesses are poorly run, especially when they have excess manpower. The theory holds that, not only will the enterprise's clients see benefits, but as the privatised enterprise becomes more

efficient, the whole economy will benefit, especially in terms of job creation. Advocates of privatisation argue that government-run businesses failed to create more jobs because of the following reasons:

- ▶ They may only be interested in improving a company in cases when the performance of the company becomes politically sensitive.
- ▶ Conversely, the government may put off improvements due to political sensitivity — even in cases of companies that are run well.
- ▶ The company may become prone to corruption. The government may seek to run a company for social benevolent goals rather than business goals (this is conversely seen as a negative effect by critics of privatisation).

### HYPOTHETICAL NAIRU/LONG-RUN PC





- ▶ Privatisation advocates claim, that privately-held companies can raise capital more easily in the financial markets than publicly-owned ones.
- ▶ Governments may "bail out" poorly run businesses when, economically, it may be better to let the business fold.
- ▶ Parts of a private business that persistently lose money are more likely to be shut down, and to resort to retrenchments and optimisation.
- ▶ Nationalised industries can be prone to interference from politicians for political or populist reasons. Examples include making an industry buy supplies from appointed local producers; making it compulsory to have at least 30% local content, when that may be more expensive than buying from abroad; forcing an industry to freeze its prices/fares to satisfy the electorate or control inflation; increasing its staffing to reduce graduate unemployment; or moving its operations to marginal constituencies; it is argued that such measures can cause nationalised industries to become uneconomic and uncompetitive.

In particular, the first and last reasons are held to be the most important

because money is a scarce resource compared to humans: if GLCs are losing money, or if they are not as profitable as possible, this money becomes unavailable to other, more efficient firms. Thus, efficient firms will have a harder time finding capital, making it difficult for them to raise production and create more employment for human resources.

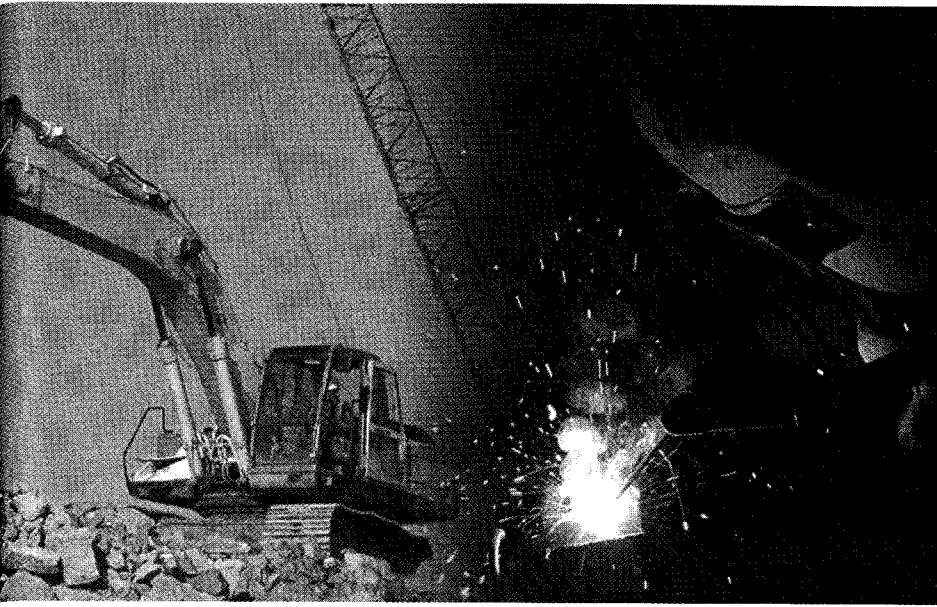
Another argument for privatisation is that to privatise a company which was non-profitable (or even generating severe losses) when state-owned means taking the burden of financing it off the shoulders and pockets of taxpayers, as well as freeing some national budget resources (including human resources) which may subsequently be used for something else. Proponents of *laissez-faire* capitalism will argue that it is both unethical and inefficient for the state to force taxpayers to fund a business that can't work for itself. They also hold that even if the privatised company were to be worse off, it is due to the normal market process of penalising businesses that fail to cope with market reality or are simply not preferred by customers.

### GRADUATE UNEMPLOYMENT - Macroeconomics

In economics, a person who is able

and willing to work yet is unable to find a paying job is considered unemployed. The graduate unemployment rate is the number of unemployed workers divided by the total civilian labour force, which includes both the unemployed and those with jobs (all those willing and able to work for pay). In practice, measuring the number of unemployed workers actually seeking work is notoriously difficult. There are several different methods for measuring the number of unemployed workers. Each method has its own biases and the different systems make comparing graduate unemployment statistics between countries, especially those with different systems, difficult. However, the meaning of the graduate unemployment rate for those affected means different things in different countries (depending on their institutions), so we should be careful in interpreting this contrast in the case of jobless graduates in Malaysia.

Some of the likely costs of graduate unemployment for society include increased poverty, crime, political instability, mental health problems, and diminished health standards. Understanding the forces that create graduate unemployment, and then trying to mitigate their negative effects to the greatest extent possible, is a central issue in economics.



Joblessness can hit individual job-seekers hard. Lacking a job often means lacking social contact with fellow employees, a purpose for many hours of the day, and of course, the ability to pay bills and to purchase both necessities and luxuries. This last reason is especially serious for those with family obligations, debts, and/or medical expenses; especially in Malaysia, where the affordability of decent living is inevitably linked to gainful employment.

Another cost for the unemployed graduate is that the combination of graduate unemployment itself, lack of financial resources, and social responsibilities may push unemployed graduates to take 3D jobs that do not fit their skills or allow them to use their talents. That is, graduate unemployment can actually cause underemployment.

Second, unemployment among graduates makes the existing employed workers who are not compatible with the so-called definition of "K-worker in K-economy" more insecure in their jobs, worrying about being replaced. Finally, the existence of significant graduate unemployment raises the monopsony power of one's employer: that raises the cost of quitting one's job and lowers the probability of finding a new source of livelihood especially for the existing workforce.

Finally, high graduate unemploy-

ment implies low real Gross Domestic Product (GDP): we are not optimising our resources and are thus wasting our opportunities to produce goods and services that allow people to survive and to enjoy life. Much graduate unemployment — called deficient-demand or cyclical graduate unemployment — thus represents a profound form of inefficiency, sometimes called "Keynesian inefficiency."

Some say that slow economic growth and the resulting graduate unemployment are actually good, since the constantly needed growth of the GDP cannot be sustained forever, given resource constraints and environmental impacts. But others ask if it is fair to burden the unemployed (usually those at the bottom of the economic heap) with the costs of limiting the use of resources and abuse of the environment. This suggests that we should seek ways to improve the efficiency of our human resource management and other resources or environmental stewardship to attain growth and low graduate unemployment rates in order to ensure that burdens are distributed fairly.

## CAUSES OF GRADUATE UNEMPLOYMENT IN MALAYSIA

Open graduate unemployment as

defined above is associated with capitalist economies. Preliterate ("primitive") communities treat their members as part of an extended family and thus do not allow them to be unemployed — in the effort to preserve the group. In pre-capitalist societies such as European feudalism, serfs (though clearly dominated and exploited by the lords) were never "unemployed" because they had direct access to the land (and needed tools) and could thus work to produce crops. Just as on the American frontier during the 19th century, there were day labourers and subsistence farmers on poor land, whose position in society was somewhat analogous to the unemployed of today. But they were not truly unemployed, since they could find work and support themselves on the land.

There is considerable debate amongst politicians, academics and economists in Malaysia as to what the main causes of graduate unemployment are. Keynesian economics emphasises graduate unemployment resulting from insufficient effective demand for goods and services in the economy (cyclical graduate unemployment). Others point to structural problems (inefficiencies of profiling and job matching) inherent in labour markets (structural graduate unemployment). Classical or neoclassical economics tend to reject these explanations, and focus more on external rigidities imposed on the labour market, such as minimum wage laws, taxes, and other regulations that may discourage the hiring of workers (classical graduate unemployment). Yet others see graduate unemployment as largely due to voluntary choices by the unemployed (frictional graduate unemployment). Some others see graduate unemployment as a structural fact helping to preserve business profitability and capitalism. The different perspectives may be right in different ways, contributing to our understanding of different types of graduate unemployment. ■