



Solving the “Tragedy of the Commons”

What is a mental model?

A mental model is a representation people hold in their heads of how things work in the real world. A good mental model simplifies complex systems in a way that helps people make more informed and better decisions. Finance officers can improve their own thinking and support others in making better decisions by creating and sharing better mental models for complex public finance topics.

About the “Solving the Tragedy of the Commons” model

A government and its financial resources are commonly owned or shared by all citizens. The local government budget must find a way to sustain the resource over time and use it to make a positive difference in the community in the short and long term. The challenge is that each stakeholder of the government has an incentive to use resources from the public budget for their own self-interests. The impact of many budget participants following this course of action could lead to overuse of public resources and long-term financial stress and/or failure of government to produce the best value for taxpayer money. This kind of collective action problem is known as “the tragedy of the commons.”

Avoiding this problem requires us to establish that the local government, not subunits such as departments, is the most relevant group for budget purposes. It isn't that subunits aren't important, but that participants should identify with the government first and subunits second.

Research shows that, under the right conditions, people are often willing to sacrifice their short-term personal advancement for the benefit of their group. We want to activate similar feelings regarding the budget, where participants are willing to give up the advancement of their subunit if it serves a greater good.

A foundational component is to develop clear service priorities that provide the north star for budgeting deliberations. GFOA's Rethinking Strategic Planning offers a guide for developing a plan that

contributes to a strong sense of identity and purpose. Focusing on service priorities brings a strong community service ethos to budgeting, which might help encourage people to put aside self-interest and focus on the bigger purpose of the government.

The priorities should be limited to the vital things the government needs to accomplish. For example, “safe streets” or “mobility” are priorities shared by many cities. This focus invites participants to think about how the resources can help achieve these goals. Highlighting a few priorities can help create a sense of shared fate between participants. If the priorities are not achieved, then everyone is worse off. If they are achieved, then everyone is better off. The budget process can then bring departments together to discuss how resources are allocated in alignment with the priorities.

Questions this model answers

- Are you using clear and focused service priorities to create a sense of shared fate with respect to the success or failure of the local government?
- Does your budget provide an equitable distribution of resources?
- Do people know what decisions have been made and why?
- Do you have a system for monitoring compliance with budget spending that is easy for everyone to understand?
- Can you highlight the potential for mutual gain when departments are asked to “give up” part of their budget for a larger purpose?

GFOA's Financial Foundations Framework (gfoa.org/financial-foundations) explains what it takes for local governments to make wise financial decisions that are sustainable.

Why it works

A common threat or challenge can bring people together by promoting collective action, shared identity, and increased cooperation. The budget might be able to use this by being clear about long- and short-term risks that the budget needs to address. For example, threats like public health problems or inadequate infrastructure could compel people to take collective action. Finally, even simple actions can impact the extent to which participants in the budget process identify with the local government versus its subunits.

Limitations

The local government budget is often inward-looking and may miss opportunities to work effectively with others. Most immediately, this means departments working well with each other.

Each of the government's stakeholders has an incentive to use resources from the public budget for their own self-interests. Stakeholders (e.g., departments, neighborhoods, etc.) often find themselves in competition with each other to get resources; therefore, they try to get as much as possible to make sure they don't lose “their” resources. They follow a short-term, self-interested strategy instead of thinking about how the community could be made better off. ■

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