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Taking Fish to Market

Why not trade fishing rights the way business trades pollution credits?

A QUARTER OF THE WORLD'S FISHERIES ARE ON THE BRINK OF collapse because of overfishing. The conventional wisdom says government-mandated restrictions will bring back depleted stocks. But there's a more effective way to save the world's fish: enlightened use of markets.

There's no dispute about the cause of dwindling fish stocks. Most ocean fisheries are free to all comers, and fishing boats, whether run by small operators or large corporations, can take all they want. These individuals and companies are no more greedy than the rest of us, but because no one holds title to fish in the open ocean, everyone races to catch as much as possible.

The fisherman receives the full benefit of aggressive fishing (a larger catch) but does not pay all the cost (an imperiled fishery for everyone). One fisherman's choices have an effect on other fishermen, of this generation and the next. But in an open-access fishery, unlike a privately held copper mine, for example, this impact is not taken into account. It's a classic "tragedy of the commons." What is individually rational adds up to collective folly, and the shared resource is ruined.

The simple truth is that government intervention is required. Of course, fishermen don't welcome regulation in their economic sphere any more than the rest of us. And they have a point.

The conventional restrictive regulatory approaches have driven up costs. If the government limits the season, fishermen put out more boats. If the government limits net size, fishermen buy more costly equipment, like sonar. Economists call this overcapitalization. Costs go up for fishermen, but pressure on fish stocks is not relieved.

The answer is to adopt the same type of innovative policy that has been used for decades in the realm of pollution control: tradable permits. Sixteen countries, some with economies more dependent than ours on fishing, have successfully adopted such systems. New Zealand has had one in place since 1986; it has put a brake on overfishing, restored stocks to sus-

tainable levels and increased fishermen's profits.

There are several tradable quota systems already in operation in the U.S., including for Alaska's Pacific halibut and Virginia's striped-bass fisheries. The time is ripe for broader adoption of this innovative approach, because a shortsighted congressionally imposed ban on the establishment of new quota systems has recently expired.

The first step in establishing a quota system is to determine the total allowable catch. The next crucial step is to allocate shares of that total limit to fishermen in individual quotas that are theirs and theirs alone (read: well-defined property rights).

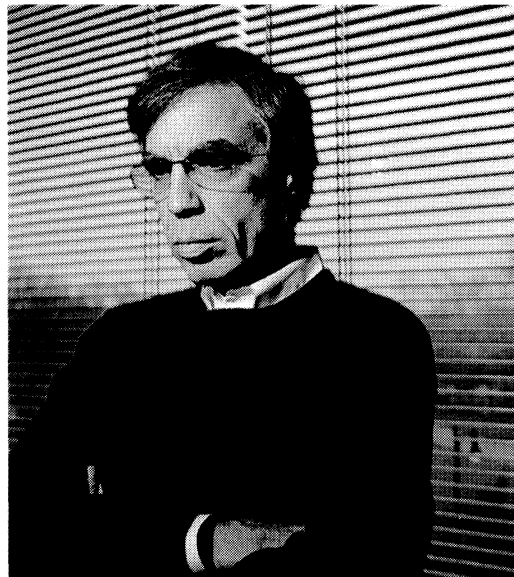
Allocation of the individual quotas should be guided by simple pragmatism. It's even possible to use the allocations to build support for the system. Making the quotas transferable eliminates overcapitalization and increases efficiency, because the least efficient fishing operations find it more profitable to sell their quotas than to exploit them through continued fishing.

In addition, these systems improve safety by reducing incentives for fishermen to go out (or

stay out) when weather conditions are dangerous. Tradable quotas also eliminate government's motivation for curtailing the length of the fishing season. Prior to the establishment of quotas for Alaskan halibut, for example, the government had reduced the fishing season to just two days. Subsequent to the introduction of the system, the season grew to more than 200 days. That means a longer season of fresh fish for consumers.

A decade ago environmental advocates, led by the market-based group Environmental Defense, played a central role in the adoption of the sulfur dioxide allowance-trading program that has cut acid rain by half and saved electricity generators and ratepayers nearly \$1 billion annually, compared with conventional approaches.

Now is the time for environmentalists to join forces with sensible voices in the fishing industry and in government to set up fish quotas that can keep fishermen in business while moving our fisheries onto a sustainable path.



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