

#### UNIVERSITY OF ICELAND

#### ITQs in Iceland Moral and Political Considerations

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# Iceland, Autumn 1980

- Young student, invited to a conference on "Iceland in 2000"
- Speakers all agreed that overfishing in Icelandic waters showed that capitalism was unfeasible
- Innocently suggested private use rights
- Greeted with derision
- Began to study fisheries economics, and common pool problems

### **Economic Overfishing: 16 Boats**



# **Two Options Discussed**

#### Public renting out of quotas

- Government profits enormously
- Some fishing vessel owners neither profit or lose
- Other fishing vessel owners lose (their investment suddenly becomes worthless)
- Public? Does it profit from a stronger state?

#### Allocation of free quotas

- Government profits somewhat
- Fishing vessel owners who sell quotas and leave fishery profit
- Fishing vessel owners who stay, profit
- The public benefits
- Nobody loses

# How ITQ System Works

- Ministry of Fisheries sets TAC, total allowable catch per season, in each fish stock
- Owners of fishing vessels hold ITQs, individual transferable quotas, i.e. rights to harvest a given % of the TAC in a fish stock
- Catches monitored at landing
- Ideal change: More autonomy to Association of Fishing Vessel Owners, e.g. setting TACs
- In reality: Political pressure to allow small boats to fish outside the system, and to impose special taxes on fishery, reducing its competitiveness

# Efficient System

- Individual: Each bears responsibility for his own operations
- Permanent: Fishermen have long-term interest in profitability of resource
- Transferable: The 8 more efficient buy out the 8 less efficient
- Rent, previously dissipated in excessive harvesting costs, now captured
- Icelandic fisheries very profitable

### Sustainability: Efficient TAC Below MSY



# Pareto Optimality

- Social change Pareto Optimal, if no-one worse off, and some or all better off
- Initial allocation by government auction not Pareto-optimal
- Initial allocation on basis of catch history ("grandfathering") Pareto-optimal: Fishermen bought out, not driven out
- Therefore the only feasible political solution, as well as the only economically efficient one

## The Lockean Proviso

- People can appropriate goods from nature, provided others do not become worse off
- Only right others are deprived of is the right to harvest fish at zero profit: Worthless right!



#### Right of 17<sup>th</sup> Boat to Harvest Removed



#### **Different Perspectives on Enclosures**



