The Legacy of Ronald Coase: Open Access Resources

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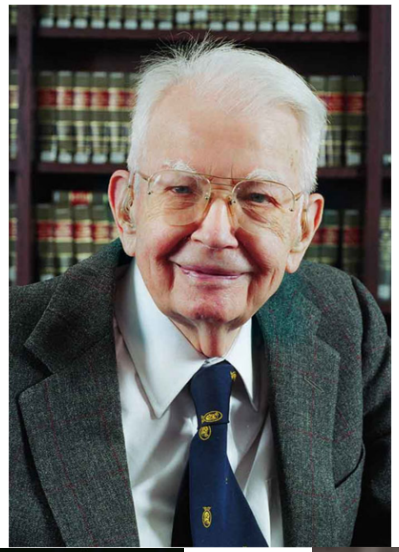

The Legacy of Ronald Coase: Open Access Resources

- The Problem of Open Access
- Describes many of the world's resources with lost wealth and opportunity
- World Bank estimates that in fisheries alone the losses exceed $100 billion annually
- This problem is persistent—why?
- Transaction costs

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- Transaction costs—the costs of defining, enforcing, and trading property rights

The Problem of Open Access

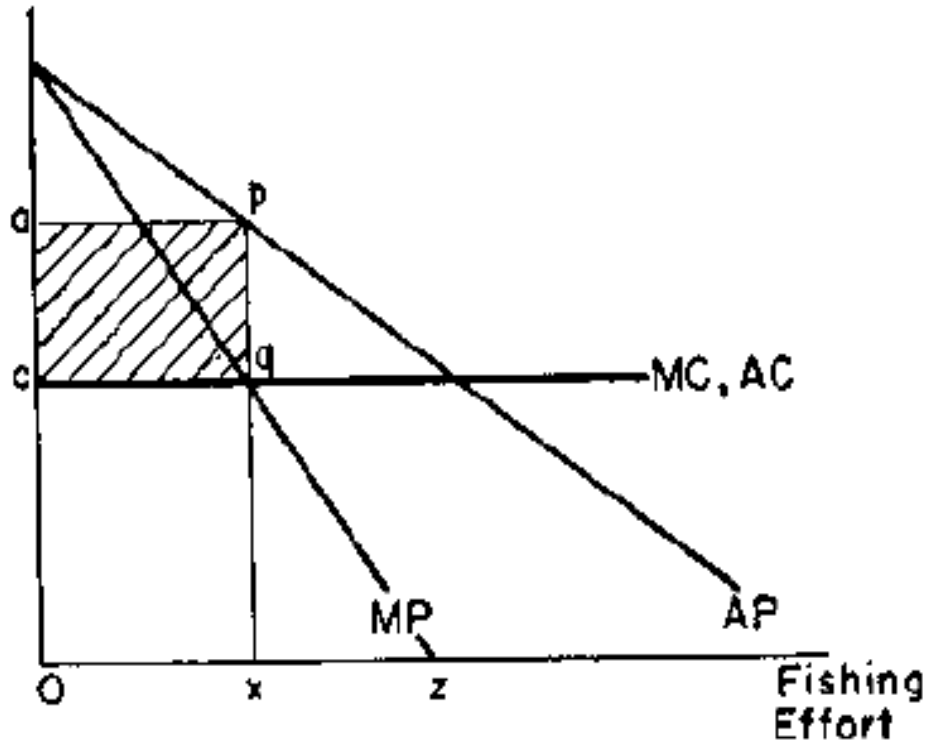

FIG. 1

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- Problem of open access understood for a long time:
- Gordon (1954) *The Economic Theory of a Common-property Resource: The Fishery*
- Hardin (1968) *Tragedy of the Commons*
- Solved by "Mutual Coercion, mutually agreed upon"
- Thomas Crocker (1966); J.H. Dales (1968)—emission permits 30 years later
- Francis Christy in 1973—ITQs in fisheries wide spread adoption not until 20 years later

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- Ronald Coase made positive analysis of the transaction costs of defining, enforcing, and exchanging property rights possible.
- Implications for organizational/institutional structures and economic outcomes
- Positive analysis to examine why responses seem so slow and so unrelated to ideal types
- Direct attention to the sources of high transaction costs and how to reduce them