

Title: **Bargaining Power in the Market for input Permits: the Case of Northeast Us Multispecies Days-At-Sea**

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Abstract: This research examines bargaining power in the market for Northeast Multispecies Days-at-Sea (DAS). In 2004, the DAS system was converted to a tradable input control system. Characteristics of the program include: 1) trading restrictions based on length and power to limit increases in output, 2) prohibitions that limit the ability of speculators or arbitrageurs to enter the market, and 3) no centralized marketplace for publicly posted prices.

While economic theory maintains that value of excess supply should be equivalent to zero; this market appears to be characterized by large amounts of excess DAS, positive prices, and tremendous variation in price. The findings of this research suggest that this phenomenon may be explained by regulatory segmentation. That is, the trading restrictions based on length and power have resulted in many small markets for DAS, each with few participants. Some of these markets may clear at a positive price while others may fail to clear.

Despite the shortcomings of this market, this research finds some evidence that markets performs reasonably well. The price of DAS is inversely related to the number of days remaining before the expiration date; a finding which is consistent with the decay of the time-value of financial options. In addition, prices are sensitive to aggregate supply and technological shocks; major policy changes that lowered the aggregate supply and productivity of DAS are found to have price effects that are consistent with economic theory.