

Privatizing Renewable Resources: Who gains, who loses?

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Abstract

Using renewable resources can provide society with (i) resource rent, (ii) consumer surplus and (iii) worker surplus in resource harvesting. In a dynamic analysis we show that privatization increases the present value of consumer surplus and worker surplus if harvesting productivity does not depend on the resource stock. If it does, consumers and workers tend to lose from privatization and indeed prefer open-access if the discount rate is sufficiently high. Applying the analysis to the Northeast Arctic Cod fishery, we find that socially efficient privatization would increase the present value of resource rent by 8 billion Norwegian Krone, while the present value of consumer surplus would decrease by 3 billion Norwegian Krone. These findings may explain why rent dissipation often persists despite the availability of better management options.