

Economics 696X
The Economics of the Common Pool: History, Law, and Politics
Professor Gary D. Libecap
Fall 2003
Mondays 2-4:30

This class is aimed at addressing the economics, law, and politics of the common pool (open access). All environmental and most natural resource problems involve some aspects of the “commons.” Resources are open-access due to endogenous social regimes—costs, benefits, customary practices, etc, not necessarily because of particular geo-physical or biological regimes. You will obtain a better understanding of the “Tragedy of the Commons,” how open-access is managed, and why problems of the common pool often are so difficult to solve, despite important economic costs and incentives to resolve them. Management regimes include private ownership, joint ownership, customary control (common property), and administrative agency management. You will examine why and how each of these management arrangements exists and its effectiveness. You will read and discuss the basic theoretical and empirical literature, have two exams, and write a team research paper. Students will lead discussion of the course material. The research papers will involve some classic commons or open-access cases, including the extinction of the passenger pigeon, the demise of the California sardine fishery, the near extinction of the American buffalo, and the problem of global warming. The project will involve basic research as well as examination of efforts or lack of efforts to sustain the stock. The exams will cover the readings.

In the analytical section of the course we will discuss open access, the tragedy of the commons, private property rights, common property rights, complex rights, state regulation, bargaining issues, externalities and social costs.

In the applications section there are many possibilities: land, minerals, water, wildlife, air, oceans, fisheries, spectrum, pests, and intellectual property. We will address as many as we can.

I. Theory and Basic Arguments

A. Externalities

1. Knight, Frank H., 1924, “Some Fallacies in the Interpretation of Social Costs,” *Quarterly Journal of Economics*, 38: 582-606.
2. Coase, Ronald H., 1960, “The Problem of Social Cost,” *Journal of Law and Economics*, 3: 1-44.
3. Carl J. Dahlman, 1979, “Externality,” *Journal of Law and Economics*, 22: 141-162.

1. David De Meza, 1998, "Coase Theorem," *The New Palgrave Dictionary of Economics and The Law*. Peter Newman, ed. New York: Macmillan, Vol. 1: 1270-282.
- B. The Tragedy of the Commons
1. Garrett Harden, 1968, "The Tragedy of the Commons," *Science*, 162: 1243-8.
 2. Garrett Harden, 1998, "Extensions of the 'Tragedy of the Commons,'" *Science*.
 3. Gary D. Libecap, 1998, "Common Property," *The New Palgrave Dictionary of Economics and The Law*. Peter Newman, ed. New York: Macmillan, Vol. 1: 317-24.
- C. The Theory of the Commons or Open Access
1. B. Andersen, Peder, 1983, "'On Rent of Fishing Grounds,' A Translation of Jens Warming's 1911 Article, With Introduction," *History of Political Economy*, 15:3.
 2. Gordon, H. Scott, 1954, "The Economic Theory of a Common Property Resource: The Fishery," *Journal of Political Economy* 62 (2): 124-42.
 3. Cheung, Steven N.S., 1970, "The Structure of a Contract and the Theory of a Non-Exclusive Resource," *Journal of Law and Economics*, 13 (1): 49-70.
 4. Robin Brooks, Michael Murray, Stephen Salant, Jill C. Weise, "When is the Standard Analysis of Common Property Extraction Under Free Access Correct? A Game-Theoretic Justification for Non-Game Theoretic Analyses," *Journal of Political Economy*, 107 (4): 843-58.
 5. Henning Bohn and Robert T. Deacon, 2000, "Ownership Risk, Investment, and the Use of Natural Resources," *American Economic Review*, 90(3): 526-49.
- D. Solutions: Customs
1. Robert C. Ellickson, 1986, "Of Coase and Cattle: Dispute Resolution Among Neighbors in Shasta County," *Stanford Law Review* 623: 659-67.
 2. Carol Rose, 1986, "The Comedy of the Commons: Custom, Commerce, and Inherently Public Property," *University of Chicago Law Review*, 53: 711.
 3. Elinor Ostrom, et. al, 2002, *The Drama of the Commons*.
 4. Gardner Brown, M., 2000, "Renewable Natural Resource Management and Use without Markets," *Journal of Economic Literature*, 38 (4): 875-915.
 5. Elinor Ostrom, 1998, "Self Governance of Common-Pool Resources," *The New Palgrave Dictionary of Economics and The Law*. Peter Newman, ed. New York: Macmillan, Vol. 3: 424-432.

- E. Solutions: Property Rights
 2. Harold Demsetz, 1967, "Towards a Theory of Property Rights," *American Economic Review*, 57 (2): 347-59.
 3. Harold Demsetz, 1998, "Property Rights," *The New Palgrave Dictionary of Economics and The Law*. Peter Newman, ed. New York: Macmillan, Vol. 3: 132-44.
 4. Carol Rose, 1998, "Evolution of Property Rights," *The New Palgrave Dictionary of Economics and The Law*. Peter Newman, ed. New York: Macmillan, Vol. 2: 93-98.
 5. Lueck, Dean, 1995, "The Rule of First Possession and the Design of the Law," *Journal of Law and Economics*, 38: 393-436.
 6. Lueck, Dean, "First Possession," *The New Palgrave Dictionary of Economics and The Law*. Peter Newman, ed. New York: Macmillan, Vol. 2: 132-44.
 7. Yoram Barzel, 1989, *Economic Analysis of Property Rights*. New York: Cambridge University Press, 1-12.
 8. Gary D. Libecap, 1989, *Contracting for Property Rights*, New York: Cambridge University Press, 1-28.

- F. Solutions: Administrative Regulation
 1. Gary D. Libecap, 2003, "State Regulation of Open-Access: Common Pool Resources," forthcoming, *Handbook of the New Institutional Economics*.

II. Applications Areas: Medieval Common Fields and Enclosure

- A. Joan Thirsk, 1964, "The Common Fields," *Past and Present* 29: 3-25.
- B. Henry E. Smith, 2000, "Semicommon Property Rights and Scattering in the Open Fields," *Journal of Legal Studies* 29(1): 131-169.
- C. Richard C. Hoffman, 1975, "Medieval Origins of Common Fields," in William N. Parker and Eric L. Jones, eds, *European Peasants and Their Markets: Essays in Agrarian Economic History*, 23-66.
- D. Donald N. McCloskey, 1975, "The Persistence of English Common Fields," in William N. Parker and Eric L. Jones, eds, *European Peasants and Their Markets: Essays in Agrarian Economic History*, 73-119.
- E. Donald N. McCloskey, 1975, "The Economics of Enclosure: A Market Analysis," in William N. Parker and Eric L. Jones, eds, *European Peasants and Their Markets: Essays in Agrarian Economic History*, 23-66.
- F. Donald N. McCloskey, 1972, "The Enclosure of Open Fields: Preface to a Study of its Impact on the Efficiency of English Agriculture in the Eighteenth Century," *Journal of Economic History* 32(1): 15-35.
- G. Robert C. Allen, 1982, "The Efficiency and Distributional Consequences of Eighteenth Century Enclosures," *The Economic Journal*, 92(368):937-953.
- H. Stefano Fenoaltea, 1988, "Transaction Costs, Whig History, and the Common Fields," *Politics and Society*, 16: 171-217.

- I. George Grantham, 1980, "The Persistence of Open-Field Farming in Nineteenth Century France, *Journal of Economic History*, 40(3): 515-531.

III. **Applications Areas: The Fishery**

- A. Vernon Smith, 1969, "On Models of Commercial Fishing," *Journal of Political Economy*, 77 (2): 181-198.
- B. James M. Acheson, 1975, "The Lobster Fiefs: Economic and Ecological Effects of Territoriality in the Maine Lobster Industry," *Human Ecology*, 3: 183-207.
- C. Fikret Berkes, 1986, "Local-level Management and the Commons Problem," *Marine Policy*, July: 215-229.
- D. Robert Higgs, 1982, "Legally Induced Technical Regress in the Washington Salmon Fishery," *Research in Economic History* 7: 55-86.
- E. R. Quentin Grafton, Dale Squires, and Kevin J. Fox, 2000, "Private Property and Economic Efficiency: A Study of a Common-Pool Resource," *Journal of Law and Economics*, 43: 679-713.
- F. Frances R. Homans and James E. Wilen, 1997, "A Model of Regulated Open Access Resource Use," *Journal of Environmental Economics and Management*, 32(1): 1-21.
- G. Ronald N. Johnson and Gary D. Libecap, 1982, "Contracting Problems and Regulation: The Case of the Fishery," *American Economic Review*, 72 (5): 1005-22.
- H. John M. Karpoff, John M., 1987, "Suboptimal Controls in Common Resource Management: The Case of the Fishery," *Journal of Political Economy* 95:179-194.

I.

IV. **Applications Areas: Oil Pools**

- A. Gary D. Libecap, 1998, "Unitization," *The New Palgrave Dictionary of Economics and The Law*. Peter Newman, ed. New York: Macmillan, Vol. 3: 641-43.
- B. Gary D. Libecap, Gary D. and James L. Smith, 1999, "The Self-Enforcing Provisions of Oil and Gas Unit Operating Agreements: Theory and Evidence," *Journal of Law, Economics, and Organization*, 15 (2): 526-48.
- C. Gary D. Libecap and James L. Smith, 2001, "Regulatory Remedies to the Common Pool: The Limits to Oil Field Unitization," *Energy Journal* 22 (1): 1-26.
- D. Gary D. Libecap and James L. Smith, 2003, "The Economic Evolution of Petroleum Property Rights in the United States," *Journal of Legal Studies*, 2003.
- E. Gary D. Libecap, Gary D. and Steven N. Wiggins, 1984, "Contractual Responses to the Common Pool: Prorationing of Crude Oil Production," *American Economic Review*, 74 (1): 87-98.
- F. Gary D. Libecap and Steven N. Wiggins, 1985, "The Influence of Private Contractual Failure on Regulation: The Case of Oil Field Unitization," *Journal of Political Economy*, 93: 690-714.

- G. Steven N. Wiggins and Gary D. Libecap, 1985, "Oil Field Unitization: Contractual Failure in the Presence of Imperfect Information," *American Economic Review*, 75 (3): 368-85.
- H. James L. Smith, 1987, "The Common Pool, Bargaining, and the Rule of Capture," *Economic Inquiry* 25 (4): 631-44.

V. Applications Areas: Air Pollution and Global Warming

- A. Robert N. Stavins, 1994, "Transaction Costs and Tradable Permits," *Journal of Environmental Economics and Management* 29: 133-148.
- B. Charles W. Howe and Dwight R. Lee, 1983, "Priority Pollution Rights: Adapting Pollution Control to a Variable Environment," *Land Economics*, 59(2): 141-148.
- C. Robert W. Hahn and Gordon L. Hester, 1989, "Marketable Permits: Lessons for Theory and Practice," *Ecology Law Quarterly*, 16: 361-406.
- D. Paul L. Joskow, Paul L. and Richard Schmalensee, 1998, "The Political Economy of Market-Based Environmental Policy: The U.S. Acid Rain Program," *Journal of Law and Economics*, 41(1): 37-84.
- E. Paul L. Joskow, Richard Schmalensee, and Elizabeth M. Bailey, 1998, "The Market for Sulfur Dioxide Emissions," *American Economic Review*, 88(4): 669-85.
- F. Joseph Bial, Dan Houser, and Gary D. Libecap, "Public Choice Issues in Collective Action: Constituent Group Pressures and International Global Warming Regulation," *working paper*, University of Arizona

VI. Mineral Lands

- A. Gary D. Libecap, 1978, "Economic Variables and the Development of the Law: The Case of Western Mineral Rights," *Journal of Economic History*, 38: 338-62.
- B. Gary D. Libecap, 1979, "Government Support of Private Claims to Public Minerals: Western Mineral Rights," *Business History Review*, 362-85.
- C. Richard Zerbe and Leigh Anderson, 2001, "Culture and Fairness in the Development of Institutions in the California Gold Fields," *Journal of Economic History*, 114-44.
- D. John Umbeck, 1977, "The California Gold Rush: A Study of Emerging Property Rights," *Explorations in Economic History*, 197-226.
- E. John Umbeck, 1981, "Might Makes Right: A Theory of the Formation and Initial Distribution of Property Rights," *Economic Inquiry*, 38-59.
- F. John Umbeck, 1977, "A Theory of Contract Choice and the California Gold Rush," *Journal of Law and Economics*, 421-37.

VI. Applications Areas: Water and the High Cost of Transfer from Low to High Valued Uses. History and Contemporary Issues.