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Crowding Out the Crabbing Market **by Scott McPherson**

The *Washington Times* reported on October 7 that “a proposal [in Georgia] to ban crabbing three days a week is netting opposition from crabbers who say their livelihoods are in danger.” According to state officials, harvests of the blue crab need to be reduced by 35 percent if the species is to avoid extinction.

Crabbers, on the other hand, say that the crab population has rebounded following the end of a recent drought and, the *Times* reports, “that no limits are needed.” They correctly fear that such massive restrictions on their business will have dire economic consequences.

Both sides have a stake in the outcome. Legislators want to appear conservation-minded to their constituents — a valuable asset in today’s political climate — while crabbers have their incomes to think about. It is a conflict between competing interests that plagues fishing markets around the world.

What to do?

Any time a good is in high demand, profit-minded entrepreneurs will seek to supply the market and reap the financial rewards. Fears that the market will “use up” resources are typically unfounded because resource-owners have an economic incentive to maintain the value of their investment; constantly searching for new stockpiles of oil, for example, is part and parcel of a petroleum industry that has long-term profits in mind. Timber companies likewise replant after harvesting trees on their own land.

But an essential ingredient is required for such foresight: Those thinking about future earnings must know that someone else is not going to draw on their particular moneymaking source and rob them of as yet unrealized profits.

Like any other resource, crabs are in limited supply. This means that the best way to ensure the efficient distribution of crabs is market processes based on supply and demand; but just as important, it is imperative that property rights to the valued stock be recognized (and protected) in order to make competent management more certain.

When the good in question is a public resource, however — meaning either that it is owned by the government or that access to it is gained through the public domain, such as an ocean or river fishery — economic motivations are skewed against preservation in favor of unsustainable consumption. Why save for tomorrow when it will only go to profit someone else?

Clearly, government’s age-old routine of leaving valued commodities to the “tragedy of the commons” has taken its toll on the blue crab. Though establishing property rights to individual crabs would prove impossible, Georgia’s state government could nonetheless be looking at credible and practical ways to create the necessary inducements for the kind of market-based conservation that takes place in other industries.

One way would be to limit the number of crab fishers allowed in state waters using “Individual Transferable Quotas” (ITQs), which give the owners of ITQs a legally protected right to net a set percentage of the maximum allowable catch fixed by the state, on basis of the best available data on current and future crab stocks.

ITQs have been successfully employed in New Zealand, Iceland, Greenland, Alaska, and elsewhere to boost catches of various ocean species while protecting supplies from depletion. The transferability of ITQs also means, as pointed out by Terry Anderson and Donald Leal in their excellent book *Free Market Environmentalism*, that “quotas ... end up in the hands of the most efficient fishers — that is, those with the lowest costs and who can pay the highest price” to purchase ITQs from less-efficient fishers.

Another option is to set up property rights to fishing areas. Anderson and Leal refer to studies of private ownership of oyster beds that reveal positive conservation results and, in one study, an indication that private oyster fisheries are actually more profitable for individual fishers than open-access fisheries. Maine has employed the use of quasi-private Fishing Cooperative Associations to limit access to lobster fisheries and preserve lobster stores for more than a hundred years.

Some may complain that the options mentioned above are imperfect, and for a variety of political and philosophical reasons. So-called environmentalists will bristle at the thought of private markets’ determining the outcomes of natural resources, but the facts speak for themselves: government has historically been a poor steward of the environment. Remember that Georgia crab stocks became so drastically exhausted under the supervision and control of state officials, not a genuinely free market.

At the same time, private ownership — under the proper conditions — has a demonstrable success rate. With ownership rules established, even if they are imperfect, it is at least possible to have true market incentives driving economic decision-making, rather than the race to the commons, which always ends in tragedy for the environment.

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