



11350 Random Hills Road, Suite 800, Fairfax, Virginia 22030 Phone (703) 934-6101 Fax (703) 352-3678

fff@fff.org www.fff.org

Better Surfing Comes with Property Rights **by Bart Frazier**

Property rights have long been recognized as a cornerstone of individual liberty and economic prosperity. As long as people are secure in their right to use, alter, and trade their belongings as they see fit, freedom and an ever-increasing standard of living are the result. However, not all rights to property are clearly defined. When property rights are unclear or absent, waste, pollution, and overuse are the result. In order to avoid these inefficiencies, and to strengthen the protections for individual liberty, every effort should be made by the state to vest clearly defined private ownership rights in areas where there are now none.

What happens when an area is unowned, i.e., when there are no property rights assigned to it? The answer is that it is overused or even destroyed by users who have no incentive to conserve for its future use.

A classic example of an unowned resource that has created untold management headaches for the government is commercial fisheries. The newspapers are filled with stories of how fish such as salmon, halibut, and tuna are reaching dangerously low population levels because of overharvesting. The question is, why do people keep fishing a species until it can no longer exist? After all, it is not as though fishermen are unaware that if they take too many fish there won't be enough left to reproduce. The answer lies in the incentives, and property rights shape the incentives.

A commercial fisherman has no incentive to throw back any of the fish he catches. It might be advantageous to the future value of his catch to throw back some of the smaller ones or perhaps even some of the largest ones, but the fisherman knows that if he does throw it back, another fisherman probably won't. The incentives are all wrong. When he lands the fish on the deck of the boat, the fish is his. He can do with it as he pleases. But if he throws it back, his right to it is dissolved. As Donald Leal of the Property and Environment Research Center says, "Without ownership the rule of capture prevails."

In addition to providing no incentive to conserve a resource, the absence of property rights actually encourages more people to enter the market than if property rights were clearly defined. Leal explains it best in “Fencing the Fishery: A Primer for Ending the Race for Fish”:

Each fisher in a commons captures all the benefits of catching more fish while facing only a fraction of the cost of stock depletion because the cost is split among all fishers. This disparity between full benefits received and fractional costs paid encourages too many fishers to enter the fishery and too many fish to be taken.

Garret Hardin diagnosed this overuse caused by an absence of property rights as “The Tragedy of the Commons” in his essay of the same name. The tragedy is that because of the incentive structure, people reacting in a logical and moral fashion to a market with fuzzy property rights end up destroying the very market that provides them with sustenance.

This tragedy is played out over and over again in many markets because so many of them lack clearly defined property rights. Plights in fish populations, polluted waterways, and overused public lands, still present problems that society has answered only with regulation, distorting the problem instead of fixing it. The bright side is that property rights can evolve and have evolved.

Coase and surfing

In 1991, Ronald Coase won the Nobel Prize in economics “for his discovery and clarification of the significance of transaction costs and property rights for the institutional structure and functioning of the economy.” In one of his seminal works, *The Problem of Social Cost*, he determined that as long as property rights are well-defined and it is easy to transfer property from one person to another, an efficient distribution and use of that property will result no matter whom the property rights are initially granted to. As it relates to our resource problems, the Coase Theorem tells us that once we take the first step, actually defining the rights to a resource, the “tragedy of the commons” for that resource will disappear as long as a free market exists.

We can see the Coase Theorem at work today in the world of surfing where an interesting development in property rights has recently occurred — where a resource that has traditionally been unowned is currently undergoing a positive transformation.

The world of surfing has seen an explosion in the number of people who want to surf. In the early 20th century, the only people who surfed were native Hawaiians. As tourism became an integral part of Hawaii’s economy, tourists took surfing back to California. In 1959, it is estimated there were approximately 5,000 surfers worldwide. The popularity of the movie *Gidget*, which was released that same year, drastically changed the landscape. By 1963, there were two million

surfers, most of them in California. Today, the worldwide surfing population is estimated to be between 17 and 23 million.

That is an explosion in demand that any corporate CEO would drool over. With the number of surfers growing at an exponential rate and a limited number of waves for them to share, crowding has become a problem. The crowding occurs because no one has a right to the waves, specifically the right to prevent others from using them. It is a first-come, first-served system. In the early days of the sport, this wasn't much of a problem: very few people were jockeying for rides. Ten people could easily share waves at a good break. Now it is not uncommon to find 50 or more people fighting for the same wave.

Things are not quite the same in Fiji though. One of the premier surfing destinations in the world is [Tavarua Island Resort](#), which owns not only the entire island of Tavarua but also the waves that hit the island. Its waves are so good that the professional surfing tour holds an annual competition there.

Because Tavarua Island Resort and the waves that break on its shores are private property, it can offer what almost every place in the world cannot — relative solitude in prime surf. The resort limits the number of people on the island on any given day to 24. That's it. For your money you know for a fact that there will be a maximum of 23 other people out in the water with you, and most likely fewer. If you have the cash, \$3,478 to be exact, you can rent the perfect waves for a week. Twenty years ago, surfers never dreamed that such a resort could have existed. And it never would have if property rights had not evolved to include waves.

Property rights have evolved in other areas to allow efficient transactions and eliminate the commons. Oyster beds in North Carolina have made a dramatic comeback since oystermen have been allowed to claim beds for their own. The right to own big game animals in Africa has led to an exploding ecotourism industry, bringing elephants back from the brink of extinction. Property rights in conservation itself have developed as landowners sell easements against future development on their property.

As long as private individuals or companies have ownership over any resource, it is in their interest to conserve it and protect its value. That is the direction that our domestic policy should strive for — as much property as possible in the hands of the private sector and as little as possible under the control of government bureaucrats.

Bart Frazier is program director at The Future of Freedom Foundation.

This article was originally published in the July 2006 edition of *Freedom Daily*.