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Conversely, this volume is likely to have great value for experienced economic experimentalists looking to keep abreast of new developments in the field across a range of environmental issues. Experienced researchers can make use of the individual chapters most relevant to their own work, and will find the theoretical and technical detail offered to be highly useful.

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Environmental Markets: A Property Rights Approach, by Terry L. Anderson and Gary D. Libecap. Published by Cambridge University Press, Cambridge, UK, 2014, pp. 240, ISBN: 978 0 5212 7965 9, AUD\$ 37.59 (paperback) AUD \$ 94.03 (hardcover).

In '*Environmental Markets: A Property Rights Approach*,' Terry L. Anderson and Gary D. Libecap aim to promote the greater consideration of property rights and markets for addressing environmental problems. Anderson and Libecap position themselves within a Coasian tradition of property rights and bargaining in opposition to a Pigouvian tradition of regulations and taxes. The authors argue that environmental economics has focused too much on the use of regulations and Pigouvian taxes for correcting market failures. Instead, the authors emphasise the environmental problems that result when markets are missing due to incomplete property rights. Anderson and Libecap qualify their arguments for property rights by noting that a careful analysis of costs and benefits, and their distribution across society, is needed before any policy is implemented. This is because whether environmental goods are best provided by regulations, taxes, common property institutions, or private property rights and markets is ultimately an empirical question that needs to be answered case by case.

Anderson and Libecap's analysis of alternative policies for fisheries is particularly thorough. They trace the reasoning behind the tragedy of the commons to Gordon's (1954) analysis of the problem of overfishing. Fisheries examples serve to show that common property rights institutions can emerge to mitigate losses from open access. Territorial Use Rights for Fishing (TURFs) in Japan are used to illustrate the importance of organisational structure for protecting community interests. The disbanding of the Chignik Alaska Salmon Cooperative in 2005 in response to a legal challenge demonstrates the vulnerability of common property rights to exogenous shocks. The Mitchell Slough, a private trout fishery that was converted back into an irrigation ditch, is used to show that private property rights can also be vulnerable to legal challenge, although Anderson and Libecap suggest that

private property and markets can better accommodate heterogeneity and external shocks. They use New Zealand's Individual Transferable Quotas (ITQs) to exemplify the kind of user rights needed for a successful market approach to managing a fishery.

The book is very American in its enthusiasm for private property rights and markets. The perspective presented is consistent with Anderson's previous work on 'free market environmentalism'. Free market environmentalism is the idea that private property rights can encourage resource stewardship through free enterprise. Anderson and Libecap co-direct the Task Force on Property Rights, Freedom and Prosperity at the Hoover Institution, which aims to limit unnecessary Federal Government intrusion into the lives of individuals. The book emphasises that rent seeking, lobbying, and interest group politics can lead to the undersupply or oversupply of environmental goods by governments using regulations and taxes. Examples of environmental problems from the USA are also prominent. These include the use of snowmobiles in Yellowstone National Park, grazing on the Great Plains, and the Oklahoma land race, with many references to relevant publications provided in the footnotes throughout. The authors have published widely, and the book provides a useful guide to their cumulative work. The absence of Australian examples might disappoint some readers. Good examples could have included the evolution of water entitlements and markets in the Murray Darling Basin or other Australian uses of market-based instruments in natural resource management.

The historical examples illustrate how property rights evolve through resource conflicts. To evaluate deliberate changes to property rights or markets, it is also necessary to know how to compare the costs and benefits of alternative policies. Coase (1988) noted with disappointment that the need to introduce positive transaction costs into economic analysis had not been viewed as the main message of his 1960 article. Anderson and Libecap emphasise the importance of evaluating transaction costs when comparing alternative policies. They define transaction costs to include the cost of collecting and analysing information about the net benefits of establishing new property rights regimes as well as the costs of negotiation and enforcement. The majority of these costs will arise from complex institutional processes for resolving future conflicts over resource use and will be difficult to quantify empirically. Since it is easier to say that all costs and benefits should be compared than it is to compare them in practice, further guidance would be useful on how to compare the transaction costs associated with lobby groups, regulatory agencies, markets, and the political and legal systems for alternative policies side by side.

Anderson and Libecap argue that the success of broader environmental markets depends on the security of underlying property rights. Problems observed with environmental markets, such as thin markets, poor price signals, and limited incentives for long-term investment, are linked to insecure

forms of property rights. The authors suggest that the most successful environmental markets are quite local because of lower information costs, limited numbers of potential traders, and fewer distributional conflicts to weaken property rights. Accordingly, they support Merrill and Smith's (2010) criticism of the metaphor, 'property rights are a bundle of sticks,' that is used to teach law students about the various components that can comprise legal forms of property right. These components include transferability, modification, investment, storage and the appropriation of financial benefits and costs. The perspective presented is that property rights cannot be separated into such components without affecting the incentives of owners to make efficient decisions.

Reading this book reminded me of Green's (2000) contrast between Panglossians and Pragmatists. Panglossians think that the best of all possible worlds will result if only some existing problems could be corrected, whereas Pragmatists understand that choices are difficult because of complex alternatives, many conflicting objectives, and insufficient information. We might feel sorry for a naïve reader whose zeal for property rights solutions is stimulated at the start of the book when they learn later in a footnote, and then from specific examples, that all the same regulatory, legal and political complications of regulations and taxes also apply to property rights and market approaches. Anderson and Libecap note that environmental markets will never be perfect because property rights will always be incomplete. This is because transaction costs are always positive and can make the definition, enforcement and exchange of property rights more costly than alternative policies. Anderson and Libecap establish that no policy is ideal and that the transaction costs of property rights and market policies should be compared empirically with the alternatives case by case.

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