

## **Economics 406 Fall 2015 Property and Monopoly in the Fishing and Energy Industries**

Prof. Levis A. Kochin

Class MW 12:30-2:20PM SAV 156

Office Hours Thursday 2PM-4PM and by Appointment

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Class Website: <https://catalyst.uw.edu/sharespaces/space/lakochin/21922>

Revised August 20, 2015

### Required Texts

- 1) A collection of readings are available on the class website (address above)
  - a. To access the readings, log on to Catalyst—you will see a link to ECON 406 which will take you to a list of documents—or type the above link into your address bar.
  - b. If you do not see the link to 406 on your Catalyst dashboard, email me
  - c. Catalyst is closing in November and I will arrange for the readings to be posted elsewhere or Emailed to the students
- 2) Daniel Yergin *The Prize: The Epic Quest for Oil, Money and Power* be sure to get the Paperback Edition of 2008 with new Epilogue
- 3) Rognvaldur Hannesson *The Privatization of the Oceans* MIT

Paul Jaskow gave a course on Energy Economics which MIT has posted online at

<http://ocw.mit.edu/courses/economics/14-44-energy-economics-spring-2007/>

This is a great source for references (up to 2007) if you are doing a term paper on oil and gas

### Key Dates

**Monday October 19 Term Paper Proposal**

**Monday November 9 Preliminary Term Paper**

**Tuesday December 15 5PM Final Term Paper Due at Econ. Dept. Office**

**Thursday, December 17, 2015, 830-1020AM , [SAV](#) 156 Final Exam**

### **Term Paper W Awarded**

1) Proposal Due October 19

- a. A term paper proposal of 1 page with 3 references No Grade
  - i. At least 1 reference to an article on this assignment list
  - ii. At least 1 reference to an article NOT on this assignment list

2) Preliminary Term Paper Due Monday November 9 10% of Course Grade

**Approved Proposal must be resubmitted with Preliminary Paper**

Preliminary Term Paper must have at least five pages with at least five references

3) Final Term Paper Term Paper of 13-17 pages is due Tuesday December 15 5PM to the Receptionist at the Economics Dept. Office in Savery 40% Term Grade

**Graded Preliminary Term Paper must be resubmitted with Final Paper**

### **Grading:**

**Quizzes and Exams 50%**

Quizzes (Best 3 of 5) 20 % (Unscheduled)

**Final Exam Thursday, December 17, 2015, 830-1020, [SAV 156](#)**

### **SCHEDULE OF ASSIGNMENTS**

Readings available on Catalyst Site Marked \* Page numbers are as in original source Required

#### **Wednesday September 30 The Tragedy of the Commons**

- \*Hardin: "The Tragedy of the Commons"  
<https://www.sciencemag.org/content/162/3859/1243.full>
- ["The Tragedy of the Commons" Wikipedia](#)
- \*Ostrom, Elinor, Joanna Burger, Christopher B. Field, Richard B. Norgaard, and David Policansky (1999): "Revisiting the Commons: Local Lessons, Global Challenges" : Science, Vol. 284, 9 April, pp. 278–282.
- \*Rognvaldur Hannesson *The Privatization of the Oceans* MIT Intro. and Chapter 1

#### **Monday October 5 No Class**

### **Wednesday October 7 Competition and Monopoly**

- \*Chapters 7 &8 Jack Hirshleifer *Price Theory and Applications* Prentice Hall 1984 Smf

### **The Basics of Fisheries Economics**

#### **Monday October 12 and Wednesday October 14**

- \*Gardner Brown “The Economics of Renewable Resources: Fishing ” University of Washington 1994
  - Rognvaldur Hannesson *The Privatization of the Oceans* MIT Chapter 3
  - *Wikipedia* articles on “”Fisheries Management”, “Individual Fishing Quota“ and “Common Fisheries Policy” (European Union)
- \*Kochin, Riley, Plesha and Kujundzic. “*Analysis of an Incentive-Based Chinook Salmon Bycatch Avoidance Proposal for the Bering Sea Pollock Fishery*” Not required

### **Monday October 19**

#### **The Privatization of Fishing**

Rognvaldur Hannesson *The Privatization of the Oceans* MIT Chapters 3-6 Not

- \*Costello, Gaines, Lynham “Can Catch Shares Prevent Fisheries Collapse” *Science* Vol. 321 (19 September 2008) pp. 1678- 1681
- \*Wilén, J.E. "Why Fisheries Management Fails: Treating Symptoms Rather than Causes." *Bulletin of Marine Science* 78(2006): 529-546.
- \*Levis Kochin and Christopher C. Riley “The Political Economy of Fishing: Efficient and Expedient Regulation under ITQ and Open Access” University of Washington 199

### **Wednesday October 21**

#### **Privatization of Fish, Oil and Water**

- \*Gary D. Liebcap “Assigning Property Rights in the Common Pool: Implications of the Prevalence of First Possession Rules for ITAs in Fisheries” *Marine Resource Economics* Vol. 22 (2007) pages 407-423
- \*Ana Kudjundzic, Chris Riley, Joe Plesha and Levis Kochin “Analysis of the Use of Processing and Harvesting History in the Allocation of the Pacific Whiting Quota” *Pacific Seafood, Trident Seafoods and the Univ. of Washington* December 11, 2013

**Monday October 26 and Wednesday October 28 Fishing Privatization off the COW Coast and off Alaska**

Rognvaldur Hannesson *The Privatization of the Oceans* MIT Press 2004 Chapter 7

- Casey, K.E., C.M. Dewees, B.R. Turriss, and J.E. Wilen. "The Effects of Individual Transferable Harvest Quotas in the British Columbia Halibut Fishery." *Marine Resource Economics* 10(5)(1995): 211-230. Not available in PDF, must be read online by logging into JSTOR:  
<http://www.jstor.org/discover/10.2307/42629588?uid=3049120&uid=3739960&uid=2&uid=3&uid=67&uid=41420&uid=62&uid=3739256&sid=21103868915873>
- \*Abbott, J.K., B. Garber-Yonts and J.E. Wilen. "Employment and Remuneration Effects of ITQs in the Bering Sea/Aleutian Islands Crab Fisheries." *Marine Resource Economics* 25(4)(2010): 333-354.
- \*Levis Kochin. "The Impact of Rationalization of GOA Groundfish on Kodiak"

**Monday November 2 and Wednesday November 4**

**The Economics of Oil and Gas**

\* Krautkraemer J., and M. Toman. "Fundamental Economics of Depletable Energy Supply." Resources for the Future, Discussion Paper 03-01 (2003).

Daniel Yergin *The Prize: The Epic Quest for Oil, Money and Power* Skim the book Chapters will be assigned later

- Claire Brunel "Oil Prices and Production: A Remodeling" NBER Digest November 2014 <http://www.nber.org/digest/dec14/w20280.html>

"Catherine Hausman and Ryan Kellogg "Welfare and distributional implications of shale gas" Brookings Papers on Economic Activity March 2015  
<http://www.brookings.edu/about/projects/bpea/papers/2015/welfare-distributional-implications-shale-gas>

**Monday November 9 and Monday November 16  
Monopoly, Monopsony Cartels**

- \*Dennis W. Carlton and Jeffrey M. Perloff *Modern Industrial Organization*, Fourth Edition 2005 Chapter 3, 4 and 5

**No Class Wednesday November 11 Veteran's Day**

### **Monday November 16 Oligopoly and Oligopsony**

- \*Richard Posner “Price Fixing and the Oligopoly Problem” Ch. 3 *Antitrust Law* 2<sup>nd</sup> Edition Posted on Catalyst as “Anti Trust Law”
- \*George Stigler, “A Theory of Oligopoly,” *Journal of Political Economy* Vol. 72.1 (1964) pp. 44-61

### **Wednesday November 18 The Standard Oil Monopoly**

- \*Daniel L. Yergin *The Prize* Ch. 2 “Our Plan: John D. Rockefeller and the Combination of American Oil” Simon and Shuster New York 1991
- \*John S. McGee “Predatory Price Cutting: The Standard Oil (NJ) Case” *Journal of Law and Economics* Vol. 1 1958
- \*Elizabeth Granitz and Benjamin Klein “Monopolization by ‘Raising Rivals Costs’: The Standard Oil Case” *Journal of Law and Economics* 1996
- \*Benjamin Klein “The ‘Hub and Spoke’ Conspiracy that Created the Standard Oil Monopoly” *Southern California Law Review* 2012 Volume 85 pp. 459-496 **KEY**
- \*George L. Priest “Rethinking the Economic Basis of the Standard Oil Refining Monopoly: Dominance Against Competing Cartels” *Southern California Law Review* 2012 Vol. 85 pp. 499-558 **Not Required**

### **Monday November 23 Unitization, Cartelization and Oil Import Quotas 1933 to 1972**

- \*Daniel L. Yergin *The Prize* Ch. 13 “The Flood.” Simon and Shuster New York 1991
- \*Gary D. Liebcap “The Political Economy of Crude Oil Cartelization in the United States” *Journal of Economic History* December 1989
- \*Gary D. Liebcap and James L. Smith “The Economic Evolution of Petroleum Property Rights in the United States” *Journal of Legal Studies* 2002 Vol. 31 pp. 589-607
- \*Yoram Barzel and Christopher D Hall *The Political Economy of the Oil Import Quota* Chapters 1-3 pp.-30 Hoover Institution Press 1977

### **Wednesday November 25 OPEC and Oil After WWII**

- \*Daniel L. Yergin *The Prize* Ch. 13 “The Flood.” Simon and Shuster New York 1991
- Wikipedia Article on “The Organization of Petroleum Exporting Countries”
- \*James Hamilton “Understanding Crude Oil Prices,” *Energy Journal*, 30, no. 2(2009): 179-206.

**OPEC in The Age of Shale**  
**Monday November 30**

Borenstein, Severin and Ryan Kellogg, "[The Incidence of an Oil Glut: Who Benefits from Cheap Crude Oil in the Midwest?](#)" *Energy Journal* 35 (Jan., 2014), 15-33. [abstract]

- Anderson, Soren T., Ryan Kellogg, and Stephen W. Salant, "[Hotelling Under Pressure](#)," NBER working paper #20280, Energy Institute at Haas working paper #250 (2014).

Hausman, Catherine and Ryan Kellogg, "[Welfare and Distributional Implications of Shale Gas](#)," Prepared for Brookings Papers on Economic Activity and presented at the Spring 2015 Brookings Panel. [abstract]

\*Kellogg, Ryan, "[The Effect of Uncertainty on Investment: Evidence from Texas Oil Drilling](#)," *American Economic Review* 104 (June, 2014), 1698-1734. [abstract]

**Monday December 7 Wednesday December 9**  
**Anti-Trust in the West Coast and Alaska Fisheries**

**Gunnar Knapp "Reflections on the Bristol Bay Salmon Suit** **Not available**  
**in PDF may be obtained by going to:**  
[http://www.iser.uaa.alaska.edu/people/colt/personal/econ435\\_s06/Knapp\\_Bristol\\_Bay\\_Law\\_suit\\_20feb2006.pdf](http://www.iser.uaa.alaska.edu/people/colt/personal/econ435_s06/Knapp_Bristol_Bay_Law_suit_20feb2006.pdf)

- \*Kochin Draft Declaration in Whaley et.al vs. Pacific Seafood Group et. al. 2012
- \* Wilen Declaration in Whaley et.al vs. Pacific Seafood Group et. al. 2011