Comment
Stranded Capital in Fisheries:
The Pacific Coast Groundfish/Whiting Case

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Introduction

“Stranded Capital in Fisheries: The Pacific Coast Groundfish/Whiting Case” (Wilen 2009) brings attention to an important issue for fisheries policy: avoiding redistributive policy design, though the article is about ex-post mitigation of damages. Unfortunately, the article fails to deliver useful insights into either problem.

I begin this comment by anchoring the stranded processing capital issue in the literature Wilen anchors it—in the article by Matulich, Mittelhammer, and Reberte (1996), hereafter MMR. He characterizes that paper with the following assertion: “…the entire MMR conceptual apparatus is a straw man, interesting to speculate about in theory, but without relevance in the real world of fisheries” (p. 5). The next section shows this assertion misrepresents that article. Professor Wilen’s remedy, which is not anchored in economic theory, is discussed in the third section. The fourth section explains why experiences from deregulation lend no insight into fisheries rationalization policy design. Lack of constructive policy guidance is addressed in the fifth section. Two North Pacific contexts were used by Wilen to illustrate why processors should not be included in individual transferable quota (ITQ) policy design. This section corrects factual errors concerning these fishery policies and policy performance. The sixth section addresses the claim that including processors in rationalization policy design undermines the “normal process of competition.” A brief conclusion closes this comment.

Misrepresentation

The conventional allocation of ITQs only to harvesters is advanced by fisheries economists, unconcerned with distributional by-products of that policy design, despite the fact that: \(i\) any allocation of rights is inherently distributional, \(ii\) distribution is central to the political economy in which policy change is made, and \(iii\) virtually any allocation of ITQs will achieve nearly identical net benefits (Coase 1960). MMR exposed the simple mechanism whereby a harvester-only policy design carries with it the potential for redistributing processing sector wealth to harvesters. As harvesters consolidate quota to capture efficiency gains, the season must elongate at reduced daily harvest rates, creating excess daily processing capacity and, thus, excess demand for raw fish. Processors with nonmalleable, relation-specific capital are forced into a bidding war for raw fish in an attempt to re-equilibrate their optimal processing rate with the optimal harvesting rate. Ex-ante processing wealth (appropriately measured as capitalized quasi rents) is redistributed to the ITQ holders, which is why processors rationally attempt to block the policy change.

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