

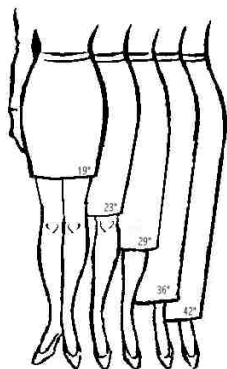
Fishing for justice,
FM and the case of
oversecuritization

HAGFRÆÐIÐEILD
HÁSKÓLA ÍSLANDS www.hag.hi.is

Overview

- Fashion in Economics
- Fashion in Fishery Economics
- Oversecuritization and interest payment
- Increasing resource rent in Icelandic fisheries
- Consequences of grandfathering
- Conclusion

HAGFRÆÐIÐEILD
HÁSKÓLA ÍSLANDS www.hag.hi.is



**FASHION IN
ECONOMICS**

HAGFRÆÐIÐEILD
HÁSKÓLA ÍSLANDS www.hag.hi.is

Exchange rate policy

- Gold standard
 - Floating rates with gold as anchor
- Fixed exchange rates (Bretton Woods)
 - USD as anchor
- Floating exchange rates, without anchor (did not work!)
- Floating rates, inflation-target anchor

FISHERY- ECONOMICS AND FASHION



How to solve the problem of overfishing?

- Too much catch => TAC as solution?
- TAC => Derby fishing => Regulate fishing capacity
- Regulated capacity => intensification of unregulated dimensions of effort
- Intensified unregulated effort => individual quotas
- ITQs = FM Nirvana?

Two 32' Bristol Bay Fishing Boats



HAGFÆRÐISDEILD
HASKÓLA ISLANDS

Photograph by Norm Van Vactor

www.hag.hi.is

This kind of fishery is not focused on efficiency



HAGFÆRÐISDEILD
HASKÓLA ISLANDS

Photograph by Bart Eaton

www.hag.hi.is

ITQs as FM Nirvana

- Problems discussed
 - Highgrading/discarding
 - Quota Busting/Data fouling
- Problems ignored:
 - Deciding the TAC
 - Stakeholder conflicts
 - If grandfathering: Oversecuritization

HAGFÆRÐISDEILD
HASKÓLA ISLANDS

www.hag.hi.is

12 Fréttaskýring 13

Óbærilegar skuldir

• TÍU ÁRIGGA BÍLLARIN LAM 2007 OG 2009 HÉLFU LINGDAGNAKUM • HERNINGUR
VESTURINN GELT HANDEL FRAMMÍ LINGDAGI ÖRU • TILGOTTI LAGABERNA ÖNLAÐ HROU
SARNAKONNEN • HERNINGUR ERHÖFUR STÓRÁRÞINGU Í ÖÐLUM HANDELNA
• HERNINGUR ÖRU VAFI ÁRÞINGU MEÐ FERRINGU ÖNGUNINGUNNA

Safnlausnir Cerecra 31

THE UNRECOGNIZED PROBLEM WITH GRAND-FATHERING: OVERSECURITIZATION

Fishery firm assets 2007 og 2009, milljarðar króna

	2007	2009
Current assets	78	100
Fixed assets		
--Investments (paper)	100	0-100
--Vessels and property	90	150
--booked quotas	150	150
--other assets	16	0
Total booked assets	434	400-500
Off-balance sheet quotas	450	150
On and off balancesheet items	884	550-650

HAGFRÖÐISDEILD HÁSKÓLA ÍSLANDS www.hag.hi.is

Fishery firm liabilities 2007 og 2009

	2007	2009
Current liabilities	80	150
Long term liabilities	245	500
On-balancesheet equity	110	-250 to -150
On-bsheet liabilities	435	400-500
On-and off bsheet equity	559	-100 to 0
On and off bsheet balance	884	550-650
Off bsheet equity	449	50-150

Oversecuritization

- Fisherysector needs less than 250 Billions for fixed assets and inventories
- Need for refinancing of the ITQ is 200 to 400 billions ISK
- Extra interest-rate payment because of that is 30 to 100 billions per year
 - This is the range for the yearly resource rent and the potential for resource rent taxes if applied

How to ITQ without oversecuritization?

- Some form of resource rent tax is a necessary
- Problems where ITQ have been introduced
 - Some form of gradual withdrawal
 - In Iceland the problem is to avoid paying all the resource rent to foreigners in form of interest payment

CONCLUSION

Conclusion

- Fishery management is a never ending story of refinements of existing systems
- There is no such thing as a FM nirvana
- Oversecuritization is more problematic than most fishery economist realized at the outset
