

Regulation of Fisheries: Imperfect Competition in the Processing Sector

by

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Abstract: In this note, we consider stock externalities for a harvesting sector and imperfect competition for a processing sector (monopoly and monopsony) within fisheries. It is shown that if the actual equilibrium harvest is larger than the optimal equilibrium harvest, both taxes and individual transferable quotas (ITQs) yield an optimum. However, if the actual harvest is below the optimal harvest, only a subsidy will secure an optimum. This result arises because, within a traditional ITQ system, no mechanism exists to increase the harvest. The result contributes to the literature on price versus quantity regulation within fisheries.