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Institutional change, fishing rights and governance mechanisms: The dynamics of the Spanish 300 fleet on the Grand Sole fishing grounds



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ABSTRACT

The “Spanish 300 Fleet” on the Grand Sole fishing grounds has been one of the most important fleets in Europe for decades. This paper analyses the process of institutional change that has determined the governance mechanisms and the property-rights system in the case of the Spanish 300 fleet. It studies the centralized top-to-bottom process of institutional change that has included some relevant legal norms such as the approval of the compatibility of the vessel scrapping grants while retaining ownership of the fishing rights, the transferability of rights and lastly the implementation of ITQs in 2007, among other changes. This evolution of the governance mechanisms has facilitated the modernization and size adjustment of this fleet, which has been oversized for the fishing opportunities provided by the TACs. The paper explains how this process of institutional change has implied a reduction of the “300 fleet” to a 100 fleet while shedding light on the relationships between institutional change, governance mechanisms and the property-rights system in this case of fisheries management.

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1. Introduction

Mainstream economics has accepted and consolidated the research programme of the New Institutional Economics (NIE) in recent decades, which has enabled institutions to return to social sciences on renovated theoretical foundations. In this way, the study of property rights, transaction costs, institutions, organizations, governance, institutional change, social norms, enforcement mechanisms and political rules has been integrated in the main research agenda of economists. The theoretical framework of the NIE has been used in the study of economic growth, economic history, development, firm organization and political markets, but it is especially useful for Natural Resource Economics and Fisheries Management because in these fields property rights are not well-defined and institutional design is specifically complex. The advances of the NIE have opened new avenues for institutional analysis in the study of marine policy and fisheries management.

Fisheries resource management has experienced a wide range of institutional and governance mechanisms during the past decades that have essentially tried to prevent the “tragedy of the commons”. This resulted in a gradual abandonment of the institutional model of free access to the oceans and gave rise to the emergence of an institutional development process for fisheries resource management (fishing rights, licences, quotas, transferability of rights). In fact,

nowadays some of the statements related to fisheries management are commonly assumed, among others [1]: (a) rights-based management is an effective way to address overcapacity, over exploitation, conservation, create sustainable economic and social benefits, and employment; (b) implementing rights-based management in an international arena would involve allocation of property rights over catch or effort to nations, who in turn can further distribute use rights; and (c) transferability of rights is essential to realize the full benefits of rights-based management and create flexibility in adapting to changing circumstances.

Fisheries governance is not a static issue, and institutional change is the key to understanding its evolution and performance. The study of the different cases [2–8] that show the effects of institutional change on fisheries governance is relevant to provide broad empirical background on which solid political recommendations can be proposed.

This paper analyses the process of institutional change and the dynamics of the “Spanish 300 Fleet” on the Grand Sole fishing grounds from the approach of New Institutional Economics (NIE). The Spanish fleet that fishes in the Grand Sole fishing grounds is also known as the “300 fleet” because it was made up of this number of vessels when Spain joined the EEC in 1986, and this fleet fishes in the ICES zones Vb, VI, VII and VIIIa, b, d. Therefore, this paper will focus on how the process of institutional change involved the application of different types of governance mechanisms in the management of the Grand Sole fisheries over time, and how there was a continuous reduction in the size of the fleet to 100 vessels. The paper will shed light on diverse problems related

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to the dynamics of institutional change in the Common Fisheries Policy (CFP), the governance of fisheries resources and the regimes of property rights in this case-study. Moreover, the evolution of rights-based management explains the reduction of the number of vessels in this fleet.

The case studies in NIE imply “analytical narratives” that use a theoretical framework or set of theoretical concepts and incorporate historical qualitative evidence [9]. In this sense, this paper will take on a new institutional inter-disciplinary approach that incorporates political, legal, social and historical issues.

This is a case study that is relevant for several reasons. Firstly, this Spanish fishing fleet has been traditionally very powerful and the Grand Sole fishing grounds represent an important fishery site that has provided sizeable catch volumes of different species for Spain, which is well known for its important fishing sector and for its high fish consumption. Secondly, the governance of this fishery has over the past 30 years used diverse fishery management instruments, and relevant evidence on the effects of the different governance mechanisms (effort-rights, TACs, transferability, ITQs) on fisheries can be provided. Thirdly, this type of analysis facilitates a productive dialogue between scholars studying fishery governance and NIE specialists. It thus gives way to feedback that provides institutional foundations to Fisheries Economics, whilst generating empirical evidence for institutionalists.

This paper is structured into five sections. Section 2 reviews some of the theoretical foundations of New Institutional Economics on institutions, institutional change and governance. Section 3 studies the history, background and evolution of the Spanish fleet of 300 vessels on the Grand Sole fishing grounds. Section 4 analyses the legal framework and the institutional issues of the governance of the fleet, and defines the property-rights system. The paper ends with a section dedicated to conclusions.

2. Theoretical foundations: institutional change and governance

Research on institutions has advanced in recent decades, and New Institutional Economics (NIE) has improved the understanding and knowledge of the role of institutions in society. NIE accepts the neoclassical assumptions of scarcity and competition, but modifies the neoclassical assumption of perfect information and instrumental rationality, and considers a theoretical framework with incomplete property rights, positive transaction costs and institutions, assuming a world where the passage of time matters [10–13].

This new institutional analysis has adopted an interdisciplinary approach in social sciences, and a New Institutional Social Science has even been stimulated in modern political economy [14]. The theoretical framework of NIE combines the Coasean notion of transaction costs with the *Northian* notion of institutions, such that institutions can be a mechanism to reduce transaction costs and obtain a higher efficiency in economic performance¹ [10,15]. According to North [10], institutions are the rules of the game in society. Institutions consist of formal rules, informal rules and enforcement mechanisms, and they provide the incentive structure of an economy.

¹ In NIE, we can differentiate between a micro-analytical and a macro-analytical trend. On the one hand, Coase [16] generated a micro-analytical approach of organizations which gave rise to “transaction cost economics” [17,18], while on the other hand, Coase [15] generated a macro-analytical approach that studied the relations between institutions and economic performance, as well as institutional change processes [10]. NIE incorporates both approaches, which are mutually inter-related, that is to say, NIE studies institutions and how institutions interact with organizational arrangements within the economy [12].

The design and creation of institutions in oceans is much more complex than creating institutions on land, and in fact, oceans were a scenario of free-access for centuries. But in the 1970s the development of property rights in fisheries emerged, and the study of governance of fisheries requires a macro and a micro-analytical perspective. According to the NIE, we can define property rights as the set of rights and obligations that can be exercised on resources over time. In fact, rights can be private, public or even hybrid, and different types of “property rights” are characterized by their specific rights of access, withdrawal, exclusion, management and alienation [19]. In this sense, the evolution of private property rights in fisheries has involved the “privatization of the oceans” [20]. Moreover, the establishment of property rights via different governance mechanisms dealing with fishing constitutes a way towards the governing of the commons [21,22].

In any case, there are several issues that show that fisheries management does not take place in an ideal neoclassical world, that is to say, property rights in fisheries are incomplete, enforcement is very imperfect, transaction costs are very high and political authority is not well-defined in many cases. The study of each specific governance mechanism is relevant because a “panacea solution” does not exist for fishery governance² [23].

Among the foundations of NIE, two elements are relevant for the analysis of the case-study of this paper. Firstly, institutions include political rules and the making of political rules implies “first-order economizing” in society [11]. In this sense, political institutions shape the incentives structure of the political and economic agents, and the institutional determinants act as a bias towards policy-making. Therefore, NIE has studied political rules and the governance of the State, which includes matters such as decentralization, congress, bureaucracy and agencies [12,14]. In this sense, political economy is strongly reborn over the theoretical bases of NIE and the links between economic theory and political theory are strengthened [24]. Since offshore fishing controlled by a nation was expanded to 200 miles in 1977, states played a more important role in fishery management and exclusive individual rights started to be applied by the national governments. So, the paper will focus on the role of the Spanish State and the EU in the governance of the 300 fleet.

Secondly, NIE has accepted the key relevance of the dynamics of institutional change in its research programme [10,25–28]. Institutional change has been analysed in the research programme of New Institutional Economics, and North [25] showed how understanding economic performance over time requires the study of institutional change. To understand institutions, one needs to know how and why they are created and sustained [29], and the study of “self-enforcing institutions” and endogenous institutional change entails some new challenges for institutional analysis [30,31]. In this way, institutional change is a key concept in the research programme of natural resource economics and fisheries [32].

Currently there is a broad consensus in social sciences about the importance and complexity of institutional change. Kingston and Caballero [28] presented a variety of theoretical approaches to conceptualizing dynamics and institutional change. Four main groups of theories of institutional change can be presented: (a) Collective-choice theories of institutional

² The study of fishery governance (or governance of fisheries) is included in the third level of social analysis that studies the institutions of governance according to Williamson [11]. In that level of analysis, the governance of contractual relations and organizations becomes the focus of analysis. Second-order-economizing – get the governance structures right – is realized at this level. On the other hand, fishery management is not focused on the governance problem and it can be included in the fourth level of social analysis if management is referred to resource allocation and employment.

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