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**D. Corporate crime and punishment**

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1. "The Reputational Penalty Firms Bear for Committing Criminal Fraud" (with John R. Lott, Jr.). Journal of Law and Economics, 36:2 (October 1993): 757-802.

This paper shows theoretically that the optimal criminal penalty for frauds of private parties is small because the external effects of such frauds is small. It then reports empirical tests that show that, in practice, criminal penalties for private frauds are very small compared to market-imposed penalties.

2. "Why the Sentencing Commission's Rules May Create Greater Disparity" (with John R. Lott, Jr.). Federal Sentencing Reporter 3:3 (November/December 1990): 140-141.

This paper observes that one of the United States Sentencing Commission's primary purposes is to eliminate disparities in sentencing practice for similar crimes. In establishing sentencing guidelines for corporate crimes, however, the Commission has ignored the role market forces play in disciplining corporate criminal behavior. The guidelines overturn decades of common law and court decisions, which frequently do take into account such market forces. As a result, the Commission's guidelines *increase* sentencing disparity for some classes of crime.

**E. Fishery economics and regulation**

1. "Low Interest Loans and the Markets for Limited Entry Permits in the Alaska Salmon Fisheries." Land Economics 60:1 (February 1984): 69-80.

This paper evaluates the impact of loans at subsidized rates on the markets for the affected assets. The model's predictions are supported by data from the Alaska salmon fisheries. Under the entry limitation program, transferable permits convey fishing rights. A loan subsidy available to Alaska residents increased permit prices by 23% and trading volume during an adjustment period by 22%. Observed changes in prices and trading volumes are decomposed into permanent and temporary effects, where temporary effects reflect two-way trades by Alaska residents engineered to take advantage of the loan subsidy. Overall, the loan subsidy is estimated to have caused a \$0.3 million deadweight loss and a \$48.9 million transfer to existing permit holders.

2. "Insights from the Markets for Limited Entry Permits in Alaska." Canadian Journal of Fisheries and Aquatic Sciences 41:8 (August 1984): 1160-1166.

Information from the permit markets is used to examine several key issues regarding the behavior of fishermen and the effects of fishery management policy. The results indicate that (1) expectations of future fishing incomes are the primary determinants of permit prices, (2) Alaska Department of Fish and Game forecasts of fish recruitment (the number of fish returning to spawn) are capitalized in permit values, and (3) such forecasts are discounted when recent error rates are high. Using an adaptive expectations model of fishing profits, it is further concluded that the "average memory" of fishermen in projecting future fishing incomes is 2.56 years (which is nearly identical to Friedman's estimates of consumers' "average memory" in consumption decisions), and that the average risk premium on fishing income is 5.05%.

3. "Alaska's Limited Entry Permit Markets: A Summary of Empirical Results." 1984 Western Proceedings (Proceedings of the 64th Annual Conference of the Western Association of Fish and Wildlife Agencies and Western Division of the American Fisheries Society): 326-335.

The ability to preserve some of the value of an open-access resource such as a fishery by limiting entry is examined using data from the Alaska salmon fisheries. The capitalized value of all permits in early 1981 was \$432.0 million, which is a rough estimate of the fishery rent preserved by entry limitations. In the absence of limitations, theory and previous evidence indicate that most (under some circumstances, all) of this value would be dissipated in the form of

higher harvesting costs and/or a smaller gross harvest. Entry limitations do not maximize the value of the fishery, however, because they do not address the fundamental problem of the common pool, which is that property rights are unassigned until fish are caught.

4. "Non-Pecuniary Benefits in Commercial Fishing: Empirical Findings from the Alaska Salmon Fisheries," Economic Inquiry 23:1 (January 1985): 159-174.

It is widely argued that non-pecuniary benefits are unusually high for producers in fisheries, and that such benefits distort the intended effects of fishery regulations. This paper *measures* the importance of non-pecuniary benefits in commercial fishing using data from the Alaska salmon fisheries, which are subject to entry limitations. Although limited entry permit prices reflect primarily pecuniary factors, the continued presence of many low-revenue fishermen in the fisheries suggests that they, at least, derive non-money benefits. The existence of non-pecuniary benefits, however, does not appear to depend substantially on the gear type or geography of the fishery.

5. "Time, Capital Intensity, and the Cost of Fishing Effort." Western Journal of Agricultural Economics 10:2 (December 1985): 254-258.

The notion that a fishing vessel's costs are a function of its *effort* is a useful paradigm in fishery analysis. This paper elaborates on this micro-theoretic approach, and proposes a way to view the cost of effort as the interaction of capital intensity and the length of the fishing season. The model indicates that capital intensity decisions are affected by season closures, and that season closures can be used to redistribute wealth among different classes of fishermen.

6. "Suboptimal Controls in Common Resource Management: The Case of the Fishery." Journal of Political Economy 95:1 (February 1987): 179-194.

This paper represents a departure from traditional fishery analysis, which has ignored the economic theory of regulation and evidence that producers are heterogeneous. Actual fishery regulations are not "irrational," as is commonly argued, but instead are the outcomes of a political process used to redistribute wealth among fishery producers.

The self-interest hypothesis of regulation and fisherman heterogeneity can explain two historically popular types of fishery regulations, season closures and capital constraints. These regulations affect fishermen differently, and typically redistribute the fishery's harvest from more efficient toward less efficient producers. In many fisheries, less efficient fishermen tend to be indigenous to the regulators' jurisdiction. In these fisheries, I predict that current regulations will persist, despite economists' hue and cry about them.

7. "Characteristics of Limited Entry Fisheries and the Option Component of Entry Licenses." Land Economics 65:4 (November 1989): 386-393.

Entry limitations are frequently proposed as a partial solution to the common pool problem that characterizes most fisheries. Entry limitations have actually been imposed, however, in relatively few fisheries. At first glance, this contradicts the self-interest hypothesis of regulation, because most proposals to limit entry would convey licenses to many existing fishermen at a nominal price. Item #6 above argues that traditional regulations such as capital constraints and season closures are popular because they redistribute the catch toward the politically dominant groups. This paper directly examines conditions under which political support for entry restrictions is likely to be sufficient among fishermen, i.e., when the expected net benefits are positive for a sufficient number of fishermen. Such support is likely when minority groups are targeted for exclusion, expected fishing incomes are low, and the variance of fishing returns is high.

Limited entry licenses limit competition when the fishery is profitable but do not force participation when the fishery is unprofitable. They are therefore similar to option contracts. I use the option analogy to derive an exact license valuation model.

8. Regulatory Techniques in the Fishery: A Model for Pacific Salmon. Juneau: Alaska Commercial Fisheries Entry

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Commission, 1982, 50 p.

One of the most valuable fisheries in the world, the Alaska salmon fisheries have attracted attention from policy makers because they were among the first subjected to entry limitations. The agencies responsible for entry limitations have tried unsuccessfully to fulfill a legislated mandate to determine the optimum number of entry licenses. This paper addresses the optimum numbers issue by constructing a model of renewable resource exploitation in a common pool, using assumptions that approximate the biological and regulatory characteristics of the Alaska salmon fisheries. The optimum number of licenses, i.e., that which maximizes the fishery's value, is at the point of unitary elasticity of the demand curve for licenses. Hence, the optimum numbers dilemma can be solved using data from the markets for entry licenses.

The model is combined with evidence from the Bristol Bay fisheries to yield the following additional implications: (1) The open access fishery involves redundant effort in the form of too many optimally sized vessels, not in the form of overcapitalized vessels. (2) Gear or vessel restrictions limit effective effort, but any resulting preserved rent is dissipated in the higher costs that are necessarily implied by the restrictions. (3) Very weak evidence suggests that these higher costs take the form of a greater number of participants, not higher costs per vessel, which (4) implies that gear and vessel restrictions permit higher-cost producers to compete by limiting the efficiency of lower-cost producers. (5) Further evidence indicates that fishermen respond to time restrictions by employing smaller amounts of capital and not operating marginal vessels, which implies that (6) time restrictions decrease vessels' revenues more than their money costs. (7) Restrictions on the number of competing vessels encourages competition along other input dimensions, and the amount of preserved rent from the fishery is inversely related to the ease with which effort-per-vessel can be substituted for numbers of vessels. (8) Because of the propensity to dissipate rent along other input dimensions, the optimum number of vessels in a fishery regulated by entry limitation is most probably less than what a sole owner of the fishery would employ, because the sole owner could control effort-per-vessel.

### *F. Miscellaneous*

1. "In Search of a Signaling Effect: The Case of Corporate Name Changes" (with Graeme W. Rankine). Journal of Banking and Finance 18:6 (1994).

Researchers who cannot explain a positive stock price reaction to an event frequently claim the event "signals" some type of information. This sometimes seems to me to be a flaky argument. It is at least an argument of last resort. In this paper we put the argument to test using one type of event -- name changes -- that is widely regarded as signalling information to investors. We show that the signalling story does not hold up to empirical scrutiny.

2. "Barter Trading as a Microeconomics Teaching Device." Journal of Economic Education 15:3 (Summer 1984): 226-236.

This paper describes how a barter trading game can be used as a supplementary teaching device in microeconomics classes. The actual results of this game in four sections of an introductory course are described and critiqued. The game can be used to allow students to participate actively in a market process, in addition to studying one. Students experience the effects on markets of price controls, taxes, wealth redistributions, and government grants of monopoly power.

3. "The ANCSA Corporations: Still Troubled After All These Years" (with Edward M. Rice), Contemporary Policy Issues, July 1992.

The Alaska Native Claims Settlement Act of 1971 (ANCSA) resolved disputes over aboriginal lands by giving Alaska Natives 44 million acres of land and \$962.5 million largely through Native-owned corporations. While the corporations initially performed poorly, their performance appeared to improved in later years. This paper documents that the apparent improvement in ANCSA firm performance is illusory. The causes of the poor performance are inherent in