

Voters ↔ Politicians



Benefits

Votes

- costs (taxes)

TRI

Toxics → TSCA  
CERCLA

liability law



Hand Rule

$$P_L \cdot \$L > C_A$$

$$EV_L > C_A$$

Reg  $\rightarrow C_A > EV_L$  not efficient  
Over regulation  $\rightarrow$  under regulation

Who regulates?

"capture theory" Stigler  
Peltzman

1980-1992 80% of EPA officials  
worked toxic cleanups  
joined firms holding  
Superfund contracts

## Capture prevention.

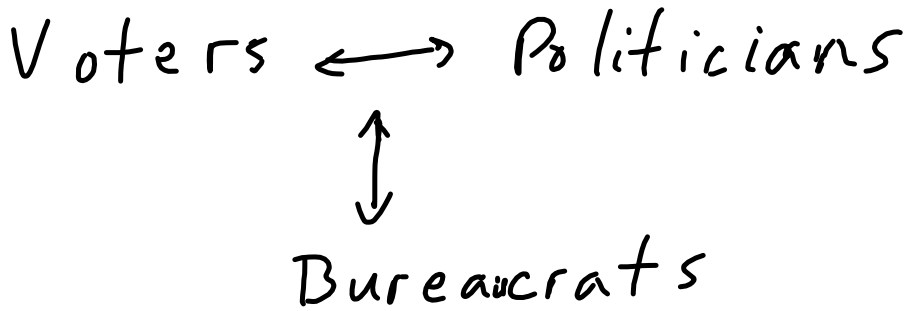
↳ pay more

↳ Bond - retirement

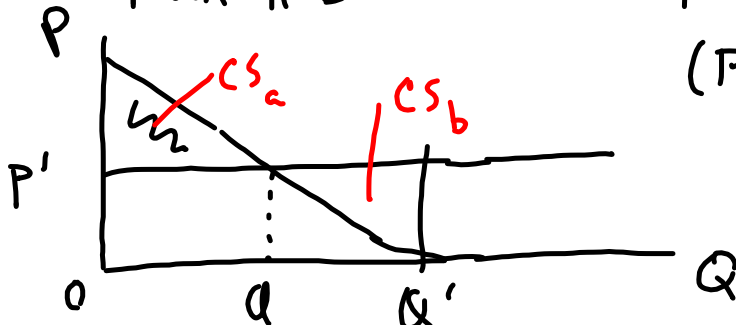
cliff vesting - 20 yrs

50%

< 20 - 0



Niskanen → DoD  
 Max \$ B



offer P  
 Buyer chooses Q

$(P', Q')$  or  $(0, 0)$

all-or-nothing offer

$(P' \cdot Q') = CS$

Politicians → horizon?

Bureaus → long term

↳ Bargaining power here

Budget > optimal.

Cost/unit low as possible → P!

## Property Rights - incomplete

- use

- exclude

↳ w/o exclusion → overuse

MB of polluting activity to  
polluter = 0

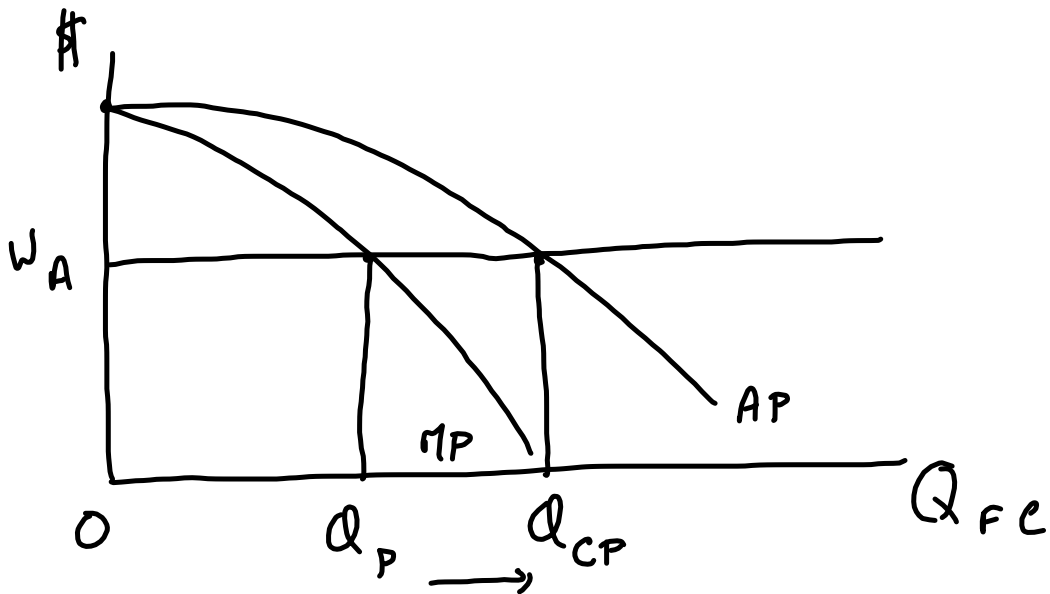
Open Access  
 Common property  
 Common pool

} CHS  
 pp 89-91

H. Scott Gordon Fisheries

migratory - property right rests  
 with first owner

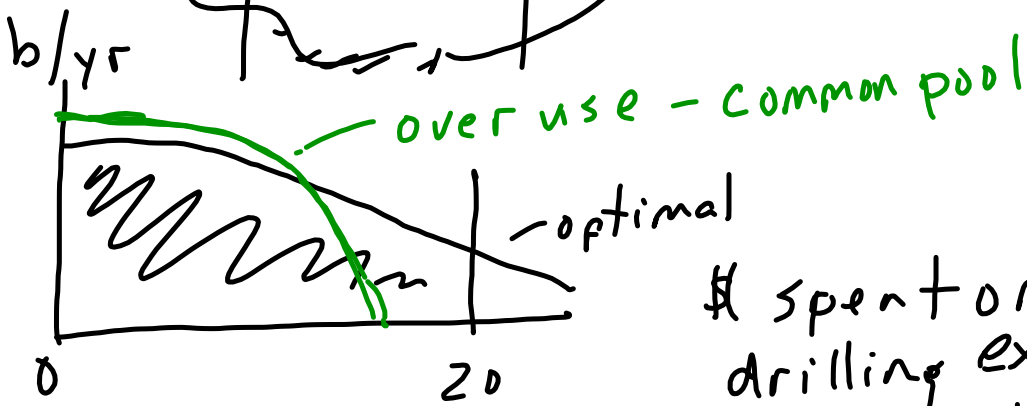
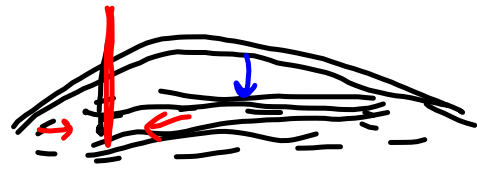
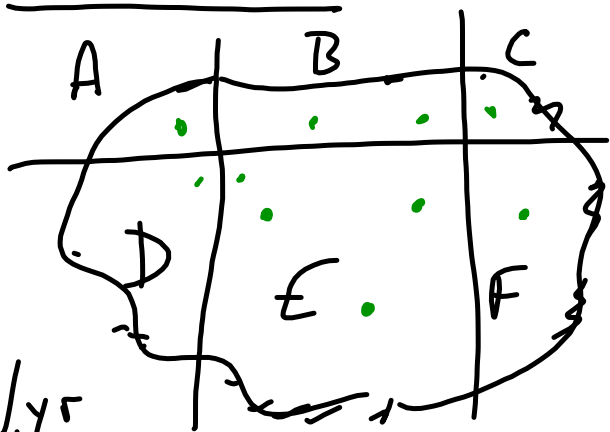
↙  
 can't prevent  
 (exclude)  
 someone from  
 catching it



total catch  $\uparrow$  stock  $\downarrow$



# oil fields - Libecap + Wiggins



over use - common pool  
\$ spent on drilling excessive  
too many wells

Solution → unitize field

owners A → F - single entity

max value → fewer wells

↳ larger total

OK - early unitization

- before any know where

they are - homogeneous

- sharing rule easier

IX - later unitization

after characterization

- more heterogeneous