

OSTROM WORKSHOP COLLOQUIUM SERIES

Christopher Costello

*Bren School of Environmental Science & Management
University of California, Santa Barbara*

“Natural Resource Federalism:
Preferences versus Connectivity
for Patchy Resources”

Monday, October 17, 2016

12:00 – 1:00 p.m.

Ostrom Workshop, 513 N. Park



We examine the efficiency of centralized versus decentralized management of spatially connected renewable resources when users have heterogeneous preferences for conservation vs. extraction. Resource mobility and heterogeneity induce a spatial externality, while spatial preference heterogeneity drives a wedge between users' privately optimal extraction rates. We first address these market failures analytically and show that the first is most efficiently handled with centralized planning, while the second is best tackled with decentralized management. Except in special cases, neither approach will be first best, but which arises as second best depends on the relative strength of preference heterogeneity versus spatial mobility of the resource. We illustrate the theory, and test its robustness, with a numerical example.



Christopher Costello is a professor of Environmental and Resource Economics at the University of California, Santa Barbara, where he holds the Donald Bren Chair, and is also a research associate with the National Bureau of Economic Research. Costello received his PhD from the University of California, Berkeley, in 2000 in Agricultural and Resource Economics. His research concerns natural resource economics and policy concerning property rights, with a focus on decision making under uncertainty, information, asset values, and resource dynamics ([website](#)).

Presentations are open to the public and are live streamed (see our website for URL and papers). You are welcome to bring your lunch. For questions, contact Allison Sturgeon (sturgeon@iu.edu; 812/855-3151).