Basic Rights and the Coase Theorem

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Abstract:
In this paper we examine the Coase Theorem when property rights are initially ambiguous and costly to appropriate. We show the delineation of basic rights into the bargaining game may result in Pareto improvements. We identify the optimal configuration of basic rights for a benevolent regulator that experiences uncertainty over agents' possible gains from trade. We show rights should be applied to agents that have relatively large costs, as well as the conditions for the implementation of 'universal' rights. Under a veil of ignorance, where fully rational agents are uncertain about their future state, we show that basic rights are set identical to that of a benevolent regulator.

About the presenter:
Ian MacKenzie is a senior research fellow and lecturer at the Center of Economic Research, Swiss Federal Institute of Technology, Zurich. He holds a PhD from the Scottish Graduate Program in Economics (SGPE) in environmental economics. His current research interests include strategic behaviour in cap-and-trade markets, microeconomic theory, public economics, public choice, regulatory economics, political economy of environmental regulation, and climate change policy.

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