Natural Resource Industries, ‘Tragedy of the Commons’ and the Case of Chilean Salmon Farming

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Abstract: Chilean salmon farming has been considered as an outstanding example of success after growing at double digit rates for more than twenty years. While the expansion was indeed dramatic, it came at the expense of severe sanitary and environmental deterioration. The outbreak in 2008 of the infectious salmon anaemia, a viral disease that kills salmon, but does not affect humans, has made this utterly clear. The overexploitation of the ‘commons’ upon which the industry has grown and the lack of an adequate regulatory mechanism to monitor adverse environmental effects contributed to this disaster, which now threatens the future of the industry and the country benefiting from its natural comparative advantage for salmon farming. The paper shows that activities based on the exploitation of a common pool resource require quite a different analytical approach than the one conventional neoclassical theory offers us for the understanding of firm and industry behaviour. This study shows that industries of this sort enjoy unique location-specific conditions requiring specific know how, R&D, and strong public-private cooperation in order to attain environmentally sustainable long term growth.

Keywords: Chilean salmon farming, common pool resources, natural resource based industry, ‘tragedy of the commons’

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