State Capacity and the enforcement of property rights in the natural resource sector  
(Work in progress)

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Abstract

We analyse the general-equilibrium consequences of property right enforcement in the natural resource sector when exclusion is costly to achieve. The key assumption is that exclusion requires both private and public enforcement efforts to supplement each other. Our main question consists in comparing states that differ by their ability to provide protection services. This ability is exogenous and referred to as state capacity. We first show that in a decentralized equilibrium with de jure property rights, private enforcement decisions are excessive from an efficiency standpoint. In the process, we offer propositions regarding the nature of the interaction between public and private enforcement activities. We obtain that public enforcement services have a non-monotonic effect on national income when state capacity is sufficiently high. For low-capacity states, however, property enforcement invariably leads to a drop in national income even though it may cause the resource to be better managed.

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