

Perspectives on Rent Generation and Rent Appropriation in Fisheries

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Abstract

The article debates the origin of rent in natural-resource based industries (NRBIs) such as fisheries, and how the rent generated can be appropriated. The Norwegian fish harvesting industry is used to illustrate the arguments. It is argued that the industry-specific institutional framework of the fish harvesting industry positively affects the competitive forces of the industry, and thereby its economic performance. Fishery management institutions create high barriers to entry for outside firms, and they dampen internal rivalry between incumbent firms. As a result, the opportunity to earn what this paper labels *institutional rent* arises. The article further argues that nature itself and how it is managed through, for example, harvesting rules, enables an NRBIs to earn resource rent if the players get free or cheap access to the input factor, in this case fish. Finally, the article argues that it is stakeholders other than the harvesting companies that control both the institutional and resource rents, that is, the owners of the natural resource and the authorities who manage it as well as the industry specific institutional framework. Nevertheless, neither the owners nor the authorities benefit from the industry-specific rent generated. The rent is appropriated by the capital owners and the crew onboard the boats in the form of above-normal profits and above-normal wages. Whether or not such a skewed rent distribution is considered fair and sustainable is a political issue.

Keywords: *institutional rent, resource rent, theory of industrial economics, theory of institutional economics, stakeholder theory, resource-based theory*

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1 Introduction

The increased costs of pandemic management and an ageing population combined with an expected reduction in cash flow from the oil and gas industry has motivated

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the Norwegian state to search for new sources of income for the future.¹ The report “Norway towards 2025: A basis for value creation, production, employment and welfare after the pandemic”² proposes using new and appropriate tax bases, including housing, property, and resource rent.

Historically, the Norwegian welfare state has been partly financed by resource rent taxes imposed on hydropower plants and oil and gas companies.³ Fuglestad and Almås⁴ claim that “...tax on resource rent from the oil resources contributed greatly to the fact that the values from the oil resources have gained every citizen”. A recent report on the taxation of aquaculture activities⁵ states that Norwegian society has a legitimate claim to a share of the excess return from private actors who receive exclusive rights to utilize scarce and valuable commonly owned natural resources. The report proposed introducing a resource rent tax on the aquaculture industry; however, this proposal was rejected by the Norwegian parliament (“Storting”).⁶

Resource rent taxes add significant annual revenues to the Norwegian Treasury. The general tax rate for Norwegian limited companies is 22%. This tax is calculated on profit, and the rate is flat. Tax on resource rent is an additional tax that oil and gas companies and hydropower plants must pay. In 2019, the resource rent tax rate was 56% in the petroleum sector. In total, these companies had a tax rate of 78% that year.⁷ The special petroleum tax contributed an average of more than NOK 100 billion annually to the Norwegian Treasury from 2001–2020. The resource rent tax rate for hydropower plants is 37%. This particular tax has contributed about NOK 4–6 billion extra annually to the state for several years. With significant profits in the fishing fleet in recent years,⁸ this industry is now emerging as a resource rent tax candidate.

However, increased tax on earned income can lead to people working less, while more tax on capital can reduce investment activity, both of which lead to reduced value creation in society. On the other hand, resource rent taxes are neutral and without negative effects.⁹ As long as a company is left with some resource rent after tax, it will be more profitable to remain invested in the resource rent industry than to move the capital to other sectors. Thus, the players will have no financial motive to adapt to a resource rent tax that is lower than 100%. Since resource rent taxes do not affect value creation in the economy, this is a very effective method that the authorities can use to increase their income.

Even though resource rent taxes stand out as an increasingly important source of funding for the Norwegian welfare state, it is still unclear which sources should create the resource rent.¹⁰ The present article aims to contribute to the debate on the origin of rent in natural resource-based industries (NRBIs) and how the rent generated is appropriated by different stakeholders. This objective is met by integrating knowledge that usually is presented in separate theoretical building blocks.

First, this paper integrates Douglass North’s theories of institutional economics¹¹ with Michael Porter’s theories of industrial organisation¹² to show that some of the rent generated in an NRBI relative to a non-NRBI may be rooted in extraordinarily attractive institutional framework conditions. This paper argues that industry-specific

institutions have the potential to create *institutional rent* in an NRBI. This source of rent is under communicated in the literature. Institutional rent adds to what is commonly labelled *resource rent* in an NRBI. Resource rent is based on actors having exclusive and often free or cheap access to scarce and valuable natural resources such as fish.

Second, this study integrates Jay Barney's resource-based theory on business strategy¹³ with Edvard Freeman's stakeholder theory,¹⁴ arguing that stakeholders outside a firm's boundary may have legitimate claims on rent appropriation. The wild fishery resources are owned by Norwegian society and managed sustainably by the authorities. Significant stakeholders that provide for the resource bundle necessary to generate rent in an NRBI are thus located outside the boundaries of the harvesting companies. However, none of these outside stakeholders today benefits from the rent generated. This is a paradox, according to the present study.

In the next section, the rent concept is discussed as used in the study. This section is followed by a section on institutional perspectives on rent generation and another section on stakeholder perspectives on rent appropriation. The paper concludes with a discussion.

2 The rent concept

This study uses both the terms *rent generation* and *value creation*. However, these two terms are not synonyms. Rent is defined as the surplus profit that remains after the opportunity cost of capital and remuneration of labour have been charged. However, in the business literature, many terms have been attached to the idea of such above-normal profit.¹⁵ This includes the synonymous business economics terms "superprofit" or "residual income".

On the other hand, value creation is defined as revenue minus input in the production process bought at market prices from outside the firm. For a fish harvesting company, this mainly includes fuel, maintenance of vessels and gear, insurance, and other smaller cost items. The value left or created must then compensate labour and capital.

This article focuses primarily on rent generation and not value creation. In the business strategy literature, investigating the existence of rent at the firm level¹⁶ or industry level¹⁷ is at the core.

2.1 Rent generation at the firm level

According to business strategy scholars, the primary rent sources at the firm level are efficiency rent and positioning rent. A firm may, for example, be extraordinarily efficient because of a unique internal resource bundle.¹⁸ Due to different efficiency, firms in the same industry may generate rent to various degrees.

Besides being efficient, a firm may have gained a favorable strategic position within its industry by positioning itself as a cost leader or differentiated player.¹⁹

These unique positions provide a potential to earn positioning rent as they are hard to imitate by rivals.

Finally, a firm may also be able to establish a monopoly-like market position in its industry, for example, through mergers and acquisitions, and thus reap monopoly-like rent.²⁰

2.2 Rent generation at the industry level

Rent generation potential may reside not only within the firm itself, but also within the industry to which a firm belongs.

2.2.1 Resource rent

A firm in an NRBI may earn resource rent by gaining free or cheap access to a scarce and valuable natural resource such as wild fish.²¹ In NRBIs, resource rent represents the input value biologically generated by the fish stock and sustainably managed by the authorities.²² A fishing license received gratis or purchased at a below-market price can provide an attractive foundation for generating resource rent. Unlike companies in non-NRBIs, costs associated with the purchase of raw materials and other materials necessary for production will be modest or equal to zero in the accounts of NRBI companies. The lack of such a cost item can thus give rise to resource rent in these industries.

2.2.2 Institutional rent

The new institutional economist Douglas North²³ claims that institutions can potentially affect the economic performance of industries and countries. He defines institutions as the rules of the game in an industry or a society. A firm in an NRBI may make additional rent by being part of a competitive arena favorably protected by institutional arrangements implemented through government policy. This source of industry-specific rent is called institutional rent in the present paper. Public policy and regulations can affect the overall attractiveness of an industry as well as the competitive forces and dynamics within it. The industrial organization economist Michael Porter²⁴ did not explicitly acknowledge the role of government in his analytical framework. However, he noted that governments could influence the attractiveness of an industry, for example, by creating higher entry barriers or reducing rivalry among incumbent firms. Thus, industries that are protected from outside and inside competition through institutional arrangements, such as the harvesting sector of an NRBI, have the potential to earn institutional rent.

2.2.3 Rent sources and rent measurement

As already stated, the present paper argues that different sources of rent may be rooted in the firm or the industry. Efficiency rent and strategic positioning rent are both firm-specific. However, there are efficient firms that are strategically positioned

in any industry. Therefore, firm-based rents can explain the generation of intra-industry rent but not inter-industry rent. This article further argues that inter-industry rent differentials are rooted at the industry level. In contrast to a non-NRBI, an NRBI can generate resource rent. Moreover, an NRBI can also generate institutional rent due to its placement within an attractive industry-specific institutional framework not shared with non-NRBIs.

The opportunity cost of invested capital is not included in a firm's accounts. The accounts, therefore, do not reveal in themselves whether a company generates rent or not.²⁵ It is also not possible to distinguish between the various sources of rent in a firm's accounts. Therefore, methodologically it is challenging to separate one source of rent from another. The different sources of rent are intertwined, and they can be mutually dependent on each other.²⁶ Due to the problem of distinguishing between institutional rent and resource rent, this article will continue to use the general term *rent* as the sum of these two rent sources in an NRBI.

3 An institutional perspective on rent generation

Some industries generate rent, while others do not, despite neoclassical economic theory arguing that competition will allocate resources to the most rent generating industry and thus eliminate it. The industrial economist Michael Porter²⁷ presented a framework to analyze the competitive dynamics of an industry and its impact on rent generation. He suggests that it is industry structure which primarily determines the long-term rent potential of any industry. Industry structure manifests itself through the strength of competitive forces represented by the rivalry among competitors, the bargaining power of suppliers and buyers, and the threat from intruders and substitutes. Porter argues that when competitive forces are strong, rent may be competed away by rivals, bargained away by customers and suppliers, constrained by new entrants, or limited by substitutes.

Porter's research has been criticized for ignoring the influence of institutions on the competitive forces in an industry as a free market-based institutional framework is taken for granted.²⁸ As a result, laws and regulations are expected to be common to most industries. Both neoclassical and industrial economists have been criticized by the institutional economist North²⁹ for neglecting the importance of institutions on the long-term performance of industries and countries. Some NRBI can develop institutions that stimulate rent generation, whereas others do not.³⁰ Thus, North argues that institutions "matter." The following discusses how institutions can potentially affect competitive forces and, therefore, the performance of the fish harvesting industry.

The harvesting sector of the Norwegian fisheries earns above normal profits.³¹ One significant reason for this may be particularly favorable competition conditions.³² While other industries in Norway (e.g., the processing and exporting industries) are subject to the general Norwegian institutional business framework, fishers

benefit from a sector-specific framework that supports their relative competitiveness. The fishers have collectively established a legally supported sales organization. This strengthens their bargaining power vis-à-vis fish buyers.³³ The competition between fishers to harvest as much of the total quota as possible has been eliminated by introducing individual vessel quotas.³⁴ Thus, the historically strong internal rivalry that existed in this industry has now been removed. Fishers are also protected from intruders through entry barriers such as licensing requirements and quotas. In addition to legal requirements, there is a significant need to finance the purchase of vessels and expensive quotas for people who want to establish themselves as fishers.³⁵ Furthermore, the processing industry's potential threat to buy boats and quotas itself (i.e., vertical upstream integration) is largely blocked through legislation.³⁶ Finally, unlike the processing industry, fishers do not pay for the fish they harvest. This resource is a product that is biologically ready-made by nature.

High barriers to entry. Historically, Norwegian society has always owned the fish resources, and it still does according to the Marine Resources Act. Therefore, every Norwegian citizen has always been able to equip a vessel and establish himself as a fishing boat owner. However, in the decades after World War II, fish stocks were increasingly exposed to overfishing due to increased fishing capacity and more efficient fishing technology. Open-access fishing of pelagic species such as herring, mackerel, and capelin lasted until 1970.³⁷ Open access for cod and other demersal fish species was stopped in 1989.³⁸ The Norwegian authorities were forced to impose barriers to entry into fisheries to avoid the tragedy of the commons.³⁹ But already in the 1930s, it was decided that only active Norwegian fishers were allowed to establish trawler companies. This provision was later extended to all fisheries. Without Norwegian citizenship, you cannot be a majority owner of a boat firm fishing a Norwegian controlled stock. The Participant Act is still seen as a mainstay in Norwegian fisheries policy.⁴⁰ This law restricts onshore facilities from owning fishing boats with quotas. In this way, fishers are protected from being vertically integrated with fish buyers⁴¹—however, some exemptions from the ban on vertical integration exist, especially in the whitefish sector. Haldorsen and Haljelm⁴² found that 13% of cod landings in 2017 occurred between fishing vessels and processing plants that were not independent parties.

To prevent overfishing, the most important commercial fisheries were closed. This closure led to strict formal requirements for new fishing companies that wanted to establish themselves in the industry.⁴³ Instead of stimulating new establishments and a market characterized by perfect competition, fisheries politicians have been concerned with incentivizing as many people as possible to exit fishing because it is challenging to ensure ecologically sustainable stocks in an industry characterized by significant overcapacity. Overcapacity also provides a poor basis for business profitability.⁴⁴ In recent years, the above-normal profitability of the fish harvesting industry may have tempted some players to establish themselves in the industry by boat and quota—however, high legal and financial barriers to entry curb competition from entrepreneurs.⁴⁵ Therefore, the fishers are well protected from outside competition.

No rivalry. Before the Norwegian fisheries were closed about 50 years ago, it was vital for individual fishers to catch as much fish as possible. At this time, fishing was described as “Olympic” due to the strong internal competition among fishers to maximize their catches.⁴⁶ However, this competition led to overfishing and the decimation of stocks as the fishers lacked individual incentives to harvest sustainably. To solve the problem, fishing was closed, and total quotas (TAC quotas) were introduced to protect fish stocks from the “tragedy of the commons.” Such a tragedy occurs when fishers themselves cannot hold back from fishing down a stock.⁴⁷ Later, the total quotas for the individual species were distributed free of charge to the boat owners in the form of vessel quotas. The quota size was based on the vessel’s historical catch volume.⁴⁸ Subsequently, vessel quotas were made tradeable. The intention was to incentivize fishers to reduce their excess catch capacity.⁴⁹

The closure and introduction of total quotas has contributed to a significant increase in rent creation in recent decades.⁵⁰ Previously, Norwegian fisheries were heavily subsidized in order to avoid financial collapse, especially in the 1970s and 1980s.⁵¹ Today, the added value created by ecologically sustainable fisheries is appropriated by far fewer fishing boat owners and fishers than before.⁵² This has contributed to additional profits in the harvesting companies.⁵³ Very high quota prices and modernization of the fishing fleet also reflect a prosperous industry.⁵⁴

Through the quota that a vessel has at its disposal, the vessel has been allocated an institutionally protected share of the raw material market.⁵⁵ In the general business community, players are fighting a fierce battle for market shares. The fishers do not have to do that. Fishing vessel owners reap super profits,⁵⁶ and the crew reap super wages.⁵⁷

The fishers market power. Through legislation, fishers have had the opportunity to establish their own sales monopolies (Norwegian Raw Fish Association for whitefish and Norwegian Herring sales association for pelagic fish). Through these institutions, they have gained excellent bargaining power over fish buyers.⁵⁸ The monopolies give fishers an exclusive right to set the minimum price for the fish they land if they cannot agree with the buyers. These sales monopolies also prevent fishers from selling their catches in other distribution channels. To the extent that fish is sold at auctions, the auction platform is owned and operated by the sales organizations.⁵⁹

4 A stakeholder perspective on rent appropriation

The purpose of the present section is to present a stakeholder in contrast to a shareholder perspective on rent appropriation in the fish harvesting industry. A stakeholder may be defined as an individual or a group that depends on an organization to be able to fulfil its goals. At the same time, the organization is dependent on the stakeholder to achieve its own goals. Thus, the organization and stakeholders are mutually dependent on each other.⁶⁰ A shareholder is defined as a person, company, or institution that owns a share of a firm’s equity. The largest shareholders are

significant stakeholders in any privately owned business. As they essentially own the company, they usually reap the benefits of its success.⁶¹

It is not uncommon among business economists and financial theorists to take a so-called “shareholder supremacy” view on how the rent created in a firm should be distributed or appropriated.⁶² According to this perspective, shareholders are the only stakeholders with a legitimate residual claim on the company’s income. It is argued that the owners of boats and quotas bear the financial risk of possible bankruptcy. The owners must take responsibility for financing the business and cover current deficits before an eventual default. Through the centuries-old income sharing system in the Norwegian fish harvesting industry, the crew also has a well-established claim on the income of a fishing boat company, however, not on its rent.⁶³ Thus, in addition to lenders, these two stakeholders share the financial risk of the business.

A stakeholder can influence a company by providing access to valuable resources. Similarly, the company affects the stakeholder through the compensation it receives for the resources it makes available. Critical stakeholders for a company include customers, suppliers, employees, banks, and shareholders.⁶⁴ For companies in NRBI, the natural environment is also a key stakeholder. This applies, for example, to wild fish or a fjord that is suitable for farming. The authorities that give companies the right to utilize natural resources through quotas and licenses are also vital stakeholders in NRBI.⁶⁵

Resource-based theory (RBT) studies how access to resources can help a firm generate rent. In recent works, Barney and Jensen⁶⁶ argue that a company must have access to critical resources from several stakeholders to make above-normal profits. In commodity-based industries, some stakeholders are outside the company’s borders. The total bundle of resources from all stakeholders creates rent for the company. For example, a resource bundle can consist of wild fish that society makes available, fisheries management that protects the stock from overfishing, and a fishing company with a vessel, quota, crew, and other equipment necessary to harvest the natural resource. When the accumulated costs of operating the resource bundle are less than the total income generated by the bundle, the bundle creates rent for the stakeholders involved.⁶⁷

Barney⁶⁸ integrates RBT and the stakeholder perspective into a resource-based stakeholder perspective (RBSP). Applying RBSP to fisheries, rent is created by several stakeholders jointly establishing and utilizing a bundle of resources¹⁷. The bundle consists of complementary resources that are provided by various stakeholders. Norwegian society, the principal owner of renewable natural resources, is one of the four critical stakeholders. Next, we have the authorities, who are first and foremost responsible for managing the resource in an ecologically sustainable way. This has not always been the case in Norway. For example, at the end of the 1960s, the stock of Norwegian spring-spawning herring (*Clupea harengus* L.) was almost completely depleted. Significant socioeconomic value was lost in the decades that followed.

Closing the fishery and imposing strict catch regulations were necessary for the stock to regenerate rent for society.⁶⁹

A competent crew is a third critical stakeholder. The skipper, chief engineer, steward, and deck crew are all required to operate the vessel and harvest the natural resource. Fishing boat owners are the fourth critical stakeholder needed to generate rent in a fishery. The primary role of fishing boat owners is to establish the capacity necessary to convert the resource created by nature and protected by management into economic assets. The vessel owners contribute to the pool of resources by financing an appropriately equipped vessel and quotas and organizing operations at an overall level.⁷⁰

Thus, society contributes with the renewable natural resource in the rent generating process, while fishery management ensures that the resource is not decimated by overfishing. The crew onboard takes care of the operational harvesting, while the fishing vessel owners finance the boat and quotas. Thus, two of the four most essential stakeholders in the fish harvesting industry are outside the company's boundaries. This argument assumes that there are customers willing to buy the fish landed.

RBSP further argues that the rent created by the stakeholders should jointly be distributed according to the value of the stakeholder's relative contributions.⁷¹ If not, there is a risk that the stakeholder's collective will disintegrate by one or more of them pulling out of the resource bundle. If this happens, rent creation will cease for this specific bundle, and all stakeholders will appear as losers.

It is difficult to estimate the exact value of each specific resource that is part of a bundle.⁷² However, valuation can be determined through mutual negotiations between the stakeholders. Thus, it is the bundle of resources that consists of fish, fisheries management, fishers (crew), and fishing vessel owners that converts natural resources into rent. The income is deposited into the fishing companies' accounts and on the fishers' wage slips. Stakeholders have different claims on the income of a firm. Most have fixed claims, while others have residual claims.⁷³

A stakeholder has a fixed claim when the payment for making the resource available is determined ex-ante. For example, it could be a bank loan. In this case, the bank's remuneration is not dependent on the company generating financial value, ex-post. According to Williamson,⁷⁴ a fixed claim exists when all relevant future events related to delivering a good or service can be discounted with high probability. This means that the stakeholders that participate in the trade know in advance what quality the resource has, what income it will generate, and what payment a stakeholder will receive to make their resource available to the bundle.

A residual claim has other properties than a fixed claim. A residual claim exists when remuneration to a stakeholder is conditioned by the values that the resource bundle creates. This is not known until ex-post. Therefore, a residual claim is an incomplete contract because the actual payment for access to the resource cannot be specified in advance.⁷⁵ A residual claim is reimbursed only after all fixed claims have been met.⁷⁶ Without resource rent tax, only the vessel/quota owners have residual

claims on the rent that the resource bundle in a fishery creates. The crew has a residual claim on the income of the vessel, but not the rent⁷⁷ (in Norwegian: “lottsystemet”). The Norwegian community that owns the resource and the management that ensures the long-term sustainability of the fishery are, as of today, very moderately⁷⁸ compensated for their relative contributions to the resource bundle.

5 Discussion

The present article aims to contribute to the debate on the origin of rent in fisheries and how the rent generated is eventually appropriated. To illustrate the argument, the Norwegian fish harvesting industry was chosen as an empirical context.

To shed a slightly different light on rent generation in the fish harvesting industry, this paper first integrated theories of industrial organization and institutional theory.⁷⁹ The paper then argued that the industry-specific institutional framework of the fish harvesting industry positively affects the competitive forces and thereby the economic performance of the industry. Accordingly, the fish harvesting industry has the potential to earn what this paper labels institutional rent. Several institutional regulatory measures have been taken by political authorities to create ecologically and economically sustainable fisheries. A possible unintended side effect of these regulations is that the fish harvesting industry has extraordinarily favorable institutional framework conditions.⁸⁰

Individually, a fishing company secures a fixed share of the raw material market through the vessel quota. The quota institution curbs internal rivalry.⁸¹ Collectively, the fishers own a sales monopoly that has shifted the bargaining power from the buyers to the fish sellers. This enables the fishers to obtain higher prices for their catches.⁸² High barriers to entry into the industry protect fishers from outside competition.⁸³ Through legislation, fishers are largely protected from being acquired by onshore facilities, i.e., vertically integrated.⁸⁴ However, the opposite transaction is allowed. In sum, these very favorable institutional framework conditions contribute to the harvesting sector's ability to reap institutional rent. In addition, the fishers who have received their quotas for free or cheaply have no or low costs for raw materials in their business accounts. This may give rise to the generation of resource rent in this part of the value chain. According to the argument of this article, there are two main sources of rent in the fish harvesting industry, i.e., institutional rent and resource rent. In the article, the general term rent is used to refer to the sum of these two rent sources.

To debate how the rent generated in a fishery is appropriated, resource-based stakeholder theory was chosen as a theoretical lens. According to RBSP, stakeholders other than shareholders can make residual claims if the resources they contribute are critical to the rent generating resource bundle. Such stakeholders can use their bargaining power to appropriate their relative share of the rent generation.⁸⁵ This applies to Norwegian society, which owns the scarce and valuable natural resources being

harvested, and the authorities, who bear the costs of managing the resources in a biologically and economically sustainable way. Without tax on the rent, rent accrues first and foremost to the capital owners.⁸⁶

According to the resource-based perspective on business strategy, internal resources that are valuable, rare, expensive to imitate, and effectively utilized by a firm (so-called VRIO resources) can contribute to sustained rent generation.⁸⁷ This study argues that in resource-based industries such as fisheries, external stakeholders such as society (the resource owner) and the authorities (the resource manager) make critical contributions to the resource bundle that firms depend on to generate rent. This observation supports integrating stakeholder theory and RBT as attempted in this article. Such a theoretical approach is in line with Barney.⁸⁸ According to Barney and Gibson et al., renowned researchers recognize that local communities, authorities, and the natural environment can also represent critical stakeholders in rent creating processes; however, these groups are frequently ignored in resource-based strategic theory.⁸⁹ In the present study, stakeholders outside firms' boundaries are made visible.

Parmar et al. and Barney further argue that all stakeholders with critical contributions to the resource bundle have residual claims on the rent created by the bundle.⁹⁰ These stakeholders must use their bargaining power to appropriate their relative share of the rent created. If this is not done, the resource bundle is at risk to dissolve in the long run. This study indicates that when public stakeholders contribute vital resources to a firm-managed resource bundle, the bundle can survive even if one or more external stakeholders are not remunerated according to their relative contributions. In the case of the Norwegian fish harvesting industry, the resource owner and resource manager have thus far chosen to ignore their share of the excess return in favor of profit-maximizing shareholders and wage-maximizing crews. That the Norwegian political system chooses not to collect society's relative share of the rent creation may be related to whether the left or the right holds political power in Norway.⁹¹

Much of the previous RBT is based on the fact that firm-internal resources or resource bundles generate rent.⁹² However, this is not the case when the firm's ability to generate rent also depends on collecting specialized resources from several stakeholders, some of which are outside the firm's boundaries. In such a context, rent generation is based not only on internal firm resources but also on the result of a resource bundle put together by the firm, society, and fisheries management.⁹³

In market economies, the industry framework is commonly based on principles of perfect competition. It is assumed that firms compete on relatively equal terms in both input and output markets, and that competition is further intensified by the fact that it is free for entrepreneurs to establish themselves in the industry. These principles are also assumed to apply to rent generating industries. When rent is at risk of being competed away, firms are stimulated to operate efficiently and be innovative, as actors must be on their toes to survive and grow. This study argues that

in the case of the fish harvesting industry, the regulatory measures taken to protect fisheries from overfishing and the fishers against destructive internal rivalry have created extraordinarily favorable competitive conditions. The players may also have been given such advantageous financial conditions that they can afford to invest in vessels with overcapacity⁹⁴ and buy quotas at an overprice.⁹⁵

Resource-based industries form the bedrock of the Norwegian economy;⁹⁶ this applies, for example to aquaculture, fish harvesting, hydropower, and oil and gas production. A common feature of these industries is that they base their businesses on exploiting scarce and valuable natural resources. Another unique feature is that the Norwegian people in common own the natural resources utilized. A third distinctive feature is that in some cases, the authorities have established industry-specific institutional framework conditions that inhibit and sometimes eliminate internal rivalry among the players in these NRBI's.⁹⁷ High barriers to entry created through strict legal requirements and a significant need for financing are one last comparable feature.⁹⁸ This makes it very difficult for companies outside these economically attractive raw material-based industries to establish themselves and compete for the above-normal profit. Together, these attractive framework conditions form a solid foundation for rent generation that are not due to superefficient capital owners or super-skilled employees.

However, the tax regimes in Norway's resource-based industries are quite different. While the hydropower industry⁹⁹ and the oil and gas industry¹⁰⁰ must pay resource rent taxes to be allowed to utilize the common resources, fish harvesting and aquaculture are still exempt, even though a solid tax base seems to be present. In the last decade, the aquaculture and fishing industries have generated above-normal profits relative to other industries.¹⁰¹ Proposals have been made to introduce a tax on both the aquaculture and wind power industries, but both proposals have been rejected. Brigham and Moses interpret this as a breach of good Norwegian natural resources management practice.¹⁰² The distribution of structural quota gains will be submitted to the Storting by the new government.¹⁰³ Significant values are to be redistributed, and the question of a resource rent tax may arise again.

Institutional rent and resource rent represent an excess return that is not due to more efficient use of the input factors labor and capital. Instead, they are due to the availability of a scarce and valuable common natural resource that a few business actors have been given the exclusive right to utilize. When this is a significant reason for rent generation, rather than the extraordinary skills of fishing vessel owners and the crews who utilize the resource, an equity consideration dictates that the excess return should not only go to the chosen few, but to society as a whole. This equity perspective is rooted back to the beginning of the last century when it was discussed whether hydropower should continue to be a Norwegian national resource.¹⁰⁴

The American economist Henry George was also concerned about the unfair distribution of economic values. He argued that resource rent increases the value of assets that go to an owner who does not have to put in the extra effort. Therefore,

according to George,¹⁰⁵ resource rent is undeserved. George further claimed that by introducing a tax on this rent, the tax could be used to reduce income disparities so that society becomes more equitable.¹⁰⁶ The gap between those who have significant financial resources, and the poor has increased sharply in Europe since the 1970s.¹⁰⁷ Accordingly, a tax on the rent made in the fish harvesting sector can contribute to even out economic inequalities in Norwegian society.¹⁰⁸

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57. A rough estimate is presented in the following. According to Statistics Norway, the average annual salary was around NOK 600,000 for men in all sectors and job categories in 2020, see: <https://www.ssb.no/arbeid-og-lonn/lonn-og-arbeidskraftkostnader/statistikk/lonn> Furthermore, according to the Profitability Survey for the fishing fleet prepared by the Directorate of Fisheries for 2020, the work allowance for the crew on board, for example, purse seines (Table G20), averaged approximately NOK 20 million this year. With a regular crew of about 10 fishers including skipper, steward, and engineer, this gives a roughly average salary of 2 million per crew member per year. Each vessel had an average of 142 operating days in 2020, see: <file:///C:/Users/bbe019/Downloads/driftsresultater-fartoygrup-per-2020.pdf>
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