

The formation of GMO-free and GMO-only Coasean clubs

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Adventitious presence plays a prominent role in the debate over coexistence of Genetically Modified crops and conventional crops. There are several ways to address this externality and one of them is the formation of GM free or GM only clubs. We model the decisions of individual farmers to cultivate either GM crops or conventional crops and combine this with a game theoretic model of club formation to investigate whether the formation of such clubs is feasible. In the spirit of Coase, we consider two liability regimes, one where the GM farmers are liable and one where they are not liable. In addition we consider two benchmarks: the Nash equilibrium without negotiations and the social optimum, as well as partial cooperation through Coasean clubs. We find that large clubs can form but that they often achieve either a lot or next to nothing.



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