

Existing work on the costs of insecure property has largely focused on the over-exploitation problem of common pool resources. We investigate other costs of insecure resources -- uncertainty costs, the absence of exchange, and enforcement costs -- within a simple general equilibrium setting. Three types of regimes or conventions about settling disputes are possible in our setting: winner-take-all conflict, bargaining over the contested resource, and division of the resource with the possibility of exchange in other commodities. We show that typically only one of the regimes is stable and that the stable regime may not involve exchange. We show how insecure property hampers exchange and explore the conditions under which this occurs.