

On the other hand, if the owner of the fishery has the right, the factory will bribe him $ABNV$. Note that this is strictly more than $ABWV$, the pollution cost to the owner of the fishery. Both are then better off since the fishery owner makes a surplus equal to $ABNV - ABWV = BNV > 0$. Additionally, the factory owner still gains a surplus equal to $ABXV - ABNV = BNX$. Note also that this scenario still leads to the optimal amount of pollution given that the factory will produce at the optimal quantity.

The government can, instead, decide to intervene and tax the factory the difference between the total social cost and the private cost. This would force the factory to internalize the pollution externality and produce at the optimal quantity level. However, the transfer of compensation is to the government and not to the pollutee.

Note also that the manner in which the graph is created is framed towards making the factory change its production process to reach efficiency. It does not provide a way to determine whether the owner of the fishery should do anything to also reach that efficiency level of quantity.