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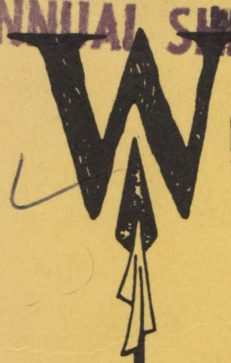
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ALTERNATIVE OPPORTUNITIES FOR ALLOCATING THE
PUBLIC RANGELAND RESOURCE

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Introduction

The proper disposal or management of public lands has been the subject of persistent and controversial debate throughout American history. Conflicting interests surrounded the establishment of Yellowstone National Park in 1872 and the National Forest System in 1891. Years of disagreement over the federal government's role in rangeland management preceded the Taylor Grazing Act of 1934, which for the most part, ended the giving away or selling of public lands.

Controversial debate continues. Changing conditions such as relatively low real beef prices, high costs of production on public lands, and a growing demand for such things as hunting, camping, wildlife and wildlands preservation have shifted our perceptions of optimal uses of public rangelands. Recent debate concerning the current management of public rangeland has become highly polarized mostly between traditional interest groups supporting domestic livestock grazing and environmental interest groups who see domestic livestock grazing as being increasingly in conflict with other uses and management objectives. The purpose of this paper is to briefly explore issues related to alternative opportunities for allocating public rangelands across alternative uses.

Privatization Argument

Some economists suggest that the solution to public rangeland allocation problems is to simply sell the land to highest bidders and let private land owners do with it as they see fit (Gardner, 1983; Baden and Stroup; Libecap; Anderson; Stroup and Baden). These economists contend that "mismanagement is endemic with public ownership and can only be eliminated if decisions are placed in the private hands of efficient utility and profit maximizers . . . the most simple and most effective cure would be divestiture of the public lands" (Gardner, 1983).

In many ways, privatization is an appealing option. The

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historical background of the U.S. includes ancestral reaction to feudal systems of Medieval Europe, colonial reaction against the power vested in the British crown, and remarkably rapid growth and development within a free society and market economy (Wyant; Harris; Heilbroner; Hibbard). Private enterprise, private property, free markets, and personal liberty have served American growth and prosperity (Anderson and Hill; Freedman and Freedman; Schmid).

Privatization is often promoted by using arguments based on neoclassical economic theory. Privatization arguments also often rely on the Coase Theorem which proposes that, if property rights are well specified and transactions costs are zero, then private parties will bargain and trade in such a way as to reach an efficient outcome (Coase). This theorem suggests that the major reasons for misallocations on the public lands are poorly specified property rights.

The privatization argument, however, is often criticized because property rights that internalize most of the values and costs associated with public lands are not readily or easily specified. Also transactions costs for allocating many of the goods and services of public land can be relatively high. Some products from public rangelands such as timber, livestock, and minerals are relatively homogeneous, divisible, and transferable; other important goods and services from these lands are not. Scenic vistas, unique outdoor recreational opportunities, wildlife habitat, watersheds, and other goods and amenities are valued largely as a result of the unique, indivisible, and/or immobile aspects of these lands (Nash). The implication that all goods and services from public rangelands can be produced and marketed freely, competitively and efficiently like can openers, designer jeans, video recorders, and pork bellies is "based on nothing more than stylized facts, and wishful thinking It is simply a value judgement passed off as science" (Bromely, 1982b)

Private property rights may not be readily and adequately defined or secured in such a way as to internalize all the fugitive resources or the large number of associated externalities associated with public rangelands. If the value of scenic vistas, large tracts of natural wildlife habitat, watershed protection, unique resource based outdoor recreational opportunities, and other such amenities cannot be captured by the landowner, then neither can the opportunity cost of destroying them through strip mining, overgrazing, subdividing, timbercutting, or some other project that results in highly marketable products (Nelson; Weisbrod; Martin).

Furthermore, individuals often express different preferences with regard to intertemporal allocation. Under some conditions individuals with relatively high preferences for current returns versus future returns may be more likely to gain ownership of fixed natural resources and less likely to conserve them (Pope and Perry).

Motivations for the purchase of public rangelands would include the desire for exclusive use of the land for hunting, fishing, outdoor recreation, a retreat home site and other such uses. Under privatization areas of land that have relatively

high scenic, aesthetic, and/or recreational potential would often be broken up into small recreational or consumptive type land holdings (Pope, 1985). Problems associated with fugitive resources, externalities, transactions costs, and the need for conjunctive bargaining would be magnified.

Another issue of concern dealing with privatization of public rangelands deals with individual liberty and social equity. Proponents of privatization claim that public ownership results in infringement of individual liberty by disallowing allocation of the land through free markets. Jerry Sullivan laments that if the public lands in the West are privatized, "we may all be so free that we won't be able to step off the pavement west of Grand Island, Nebraska, without running into the sheriff--or some corporation's private security force." Although most of the public lands in the West are relatively unproductive in terms of agriculture, all Americans can share in the pride of ownership of vast tracts of relatively undisturbed rangelands providing habitat for free-roving wildlife, solitude, the option to occasionally "escape to nature," and other real or perceived wonders (Pope, Goodwin and Albrecht; Pope, 1987). Tim Cahill suggests that "the idea of taking them out of public trust, of NO TRESPASSING signs sprouting up like poison toadstools, is entirely repugnant."

Distribution of Rights

Concepts of property in land are far more complex than simple concerns about public versus private ownership (Braden; Castle; Ely and Wehrwein; Ciriacy-Wantrup; Demsetz; Furubotn and Pejorich; Wunderlich; Bishop; Held; Meade; Runge). Land has many attributes, and rights to land can be assigned to different parties, both private and public. Any attempt to allocate rangelands in the West by focusing entirely on public versus private ownership arguments is doomed to failure because it does not "start from any philosophical or legal inquiry into the concept of property, nor is there much interest in understanding the social functions of property on a continuum from individual property, through common property, and on to the absence of property" (Bromley, 1982a). It must be decided which rights to which lands should be put into private ownership and which should remain in public ownership.

This may seem obvious to some economists, but remains unaccepted by others. For example, Steven Hanke, a former member of President Reagan's Council of Economic Advisors, contends that "either you want property rights, or you want public, collectivized arrangements. There is no middle of the road" (Shute). Most economists, however, recognize the folly of such absolutism. Adam Smith recognized that lands for the purpose of pleasure and magnificence ought to be in public ownership. Barkley suggests that "both publicness and privateness in land seem to be eroding. One suspects that there must be an optimal amount of publicness (or privateness) in all classes of land."

A reasonable distribution of the services or rights in land between public and private sectors is the result of uneasy compromises that recognize differences in types and uses of lands

and the comparative advantages of public versus private ownership of rights in lands. The primary goods and services of public lands reserved for wilderness areas, public parks, monuments, wildlife refuges, and other areas of natural, aesthetic, scenic, or dispersed recreational interest, are generally not very marketable. Public rangelands are largely valued because of their uniqueness, immobility, indivisibility, and other attributes that preclude clear private entitlements. On these lands few rights need be extended exclusively to private parties. On forest and rangeland, because timber, livestock, and mineral products are highly marketable commodities, well defined and secure leases could be used to sell the grazing, timber cutting, and mineral rights to private parties. These leases temporarily transfer partial rights to use the public land contingent upon proper management and reclamation where needed.

State of Affairs

The grazing fee on public lands today is below associated costs. Reasons for this are largely historical (Wyant; Clawson; Foss; Peffer; Calef). Public lands ranchers, their local supporters and electors have maintained a large amount of political power. They have been influential in making domestic livestock grazing a major and often dominate use of public lands, in excluding non-ranchers from obtaining grazing permits, and in establishing below market value and below cost grazing fees.

Public rangeland grazing permits in the West typically exist for a period of 10 years. Minimal requirements are commensurate property, meaning that they must have ownership of livestock and base property of deeded land and can demonstrate the ability to maintain their livestock during the off season when public land grazing is not available. The grazing fee is based on a formula that consists of a base value of \$2.23 per animal unit month (AUM) and is adjusted annually based upon changes in private grazing leases, value of beef cattle, and the cost of production. The base value is based on a market rental survey of leases of forage from 1964 to 1968.

In the early 1980s grazing fees from this formula gradually fell from \$2.36 to \$1.35 per AUM. Grazing fees were set to fall to \$1.01 in 1986 until an executive order by President Reagan maintained the formula but set a floor of \$1.35 per AUM. Total grazing fee revenue received equals approximately \$30 million annually. The U.S. Treasury, however, does not keep most of these funds. For example, of the grazing fees collected by the BLM the U.S. Treasury, keeps only 37.5 percent, the remainder returns to the grazing districts for range improvement projects and to the county governments in lieu of taxes.

While the grazing fee currently is between \$1.35 and \$2.00 the real market value for comparable grazing is, on the average, between about \$4.68 and \$9.46 (Wagstaff and Pope). This difference between the real market value and the grazing fee is a significant subsidy to ranchers who hold grazing permits. The capitalized value of this subsidy is often referred to as permit value (Roberts; USDA). The Forest Service and BLM do not actually allow for direct buying and selling of permits between

ranchers. When a rancher sells livestock or base property, the rancher waives the grazing permits back to the Government who in turn may reissue to the purchaser. By long-standing precedent, however, permits are reissued to the purchaser of the livestock, base property, or both.

The capitalized values of these permits are recognized by ranchers and are included in the price of base property and/or livestock. Any reduction in allowable grazing levels or increases in grazing fees destroys some or all of the permit value thereby reducing the equity value of their property. This is a primary reason ranchers are resistant to attempts to reduce livestock grazing or increases in grazing fees.

Administrative costs of public lands grazing alone far exceed grazing fees collected. Estimates of the costs of grazing administration on public land range from around \$60 million (USDA) to \$230 million (Nelson). Other costs of domestic livestock grazing on public lands include damage to local plant life and wildlife habitat, damaged riparian areas and watersheds, restricted and altered opportunities for recreational use of public lands. They include restricted opportunities to have large tracts of public land free from cattle guards, seemingly never-ending fences, tromped down and eroded stream banks, heavily grazed vegetation, and the inevitable sights, sounds, and smells of domestic livestock.

In contrast to the approximately 27,000 permittees, there are tens of millions of people who use public land for recreation annually. Livestock grazing is not opposed by many environmental and conservation groups because they are in conspiracy against ranchers, but because livestock grazing is increasingly in conflict with other uses and management objectives of the land. Below cost leasing of grazing, however, provides large incentives for ranchers to resist any grazing reductions on public lands or increases in grazing fees. The largest resistance to public lands management efforts to increase or reintroduce wildlife species, preserve wilderness areas, establish new national parks or recreational areas, often comes from holders of below cost grazing leases.

Proposal

In practice, eliminating below cost leasing on public rangeland will prove to be very difficult. Two important problems must be addressed. First, the full cost, including opportunity cost, of grazing domestic livestock on public lands is extremely difficult to measure. The actual outlays of funds to administer grazing programs is relatively easy to estimate, but environmental and opportunity costs are impossible to measure. The second problem deals with the equity of a large rise in grazing fees, when ranchers have already invested in grazing permits. If grazing fees are raised to equal or exceed the value of the grazing, the value of the permits that ranchers have paid for when they purchased their base properties and/or livestock will be lost.

One possible means of reallocating public rangelands that would not require the estimation of total costs of grazing, and would not simply destroy the value of permits held by ranchers,

would be to: 1) Set the grazing fee just below the net costs of administering public lands grazing. 2) Relax commensurate property regulations and allow individuals, private parties, or even government agencies to purchase grazing permits even if they have no cattle, no base property, or intention of grazing the land. (This change has also been proposed by Gardner (in press) and Quigley and Thomas.) 3) Allow purchasers of permits to elect to take perpetual non-use of allotments where they purchased permits. If purchasers of permits elect to take perpetual non-use, no grazing fees will be charged but permittees forfeit right to graze domestic livestock on the land. Because grazing fees are and would be below costs of administration, there may actually be a net gain in revenue when perpetual non-use of grazing permits is elected.

This proposal would allow individuals, organizations, and government agencies the opportunity to target key areas where domestic livestock grazing is in conflict with higher valued uses. They can negotiate with ranchers that have the grazing permits. If they value the removal of livestock from these lands more than the rancher values the grazing of them, then they will purchase the permits and take non-use. Effectively domestic livestock would be removed from those areas. If the rancher values the grazing more than he was offered for his permits he would not sell the permits and grazing would continue. No compulsion is required and ranchers would receive the market value of permits they hold. Also, there is no need for any government agency to estimate the opportunity and environmental costs of grazing. Grazing permit markets will help determine the relative values of grazing and other uses.

Environmental groups may ask "why should we pay for rights to public lands that are already ours?" Purchasing grazing permits outright may be less costly than trying to reduce domestic livestock grazing on public lands through protracted legal and political battles and through purchasing deeded land. Based on an estimated average permit value of \$57.29 per AUM (Wagstaff and Pope), the total value of grazing permits on all public lands is only about one billion dollars. One hundred million dollars a year, about one half the amount of money currently being expended to administer the grazing programs, would be enough to purchase most or all of the grazing permits on public lands.

Ranchers may argue that the implementation of this proposal would eliminate or at least restrict a noble industry and lifestyle built up around public lands grazing and that we need public lands grazing beef production (Pope and Wagstaff). Others would argue that subsidized public grazing is neither noble or necessary (Ferguson and Ferguson; Leman). Public lands grazing results in a net loss of public funds; it results in environmental costs; it conflicts with other uses and management objectives for public lands; and it provides only about two percent of cattle feed in the U.S. (USDA).

The Federal Government is not legally obligated to recognize the value of grazing permits or to reimburse ranchers when that value is lost or eroded through reductions in grazing levels or increases in grazing fees (Federal Register). Given the

economic, political, legal, and social pressures to reduce or eliminate public lands grazing, it seems likely that public lands grazing will be severely reduced and/or grazing fees will be increased. This proposal would give ranchers an opportunity to allow for other uses for public rangeland while at the same time receiving market value for their grazing permits. It also allows markets that include more than just cattlemen to help determine preferred uses of public rangeland.

Summary and Conclusions

Three important points of agreement across most recent studies dealing with economics of public rangeland grazing are: 1) The economic productivity of public lands grazing is relatively low and of minimal importance to national beef production; 2) Costs associated with rangeland management cannot be justified by the economics of livestock grazing on public lands; and 3) values of other uses of public rangelands often greatly exceed the value of livestock grazing.

The allocation of public rangelands might be improved if commensurate property requirements to receive grazing permits were eliminated and if purchasers of permits could elect to take perpetual non-use. This would allow environmental, recreational, and other interests a means to remove or reduce domestic livestock on public lands where grazing has especially high environmental costs, or where it is in serious conflict with other higher valued uses. Ranchers would also receive market value for permits they hold.

Even if these changes were adopted, however, public debate over the management of public lands will continue. Because different groups and individuals have different needs, tastes, preferences, and self interests, results of this debate will rarely result in clear winners--only uneasy compromises. As with most compromises, few if any parties are entirely satisfied or feel that their needs or interest have been given adequate consideration. Interested parties are often unhappy with agencies that maintain control over rights associated with public lands. This is probably the way it should be. As long as there is scarcity in these resources this is the way it will be--regardless of the management agent. While there are rarely clear winners with respect to the extremes of public land issues, to the extent that the compromises reached are better than the extremes, the public as a whole is better off.

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