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“Give Us Back our Land: Why the National Parks (and Federal Lands) Should be Privatized.”

TALKING POINTS & outline

Introduction: Culture and Political Economy

Last April Ramona and I were at the Philadelphia Society meeting in Chicago. At the reception Ramona was talking with a small group, some didn't know Ramona but her name badge said "FREE, Bozeman, Montana". Someone asked what FREE does. Ramona replied our mission is to foster institutions that harmonize liberty, ecology and prosperity.

A quite senior conservative leader, a delegate to the Republican convention that nominated Goldwater, interrupted her to say that doesn't make sense. Why? "Environmentalists don't believe in economics."

Not only was he gratuitously nasty, he was wrong. Even among the greenest of the Greens demand curves slope downward to the right. And supply curves rise upward with price. That is why we have never run out of any commodity--as long as property rights are secure and markets can innovate. And that is why scarcity has never won a race against creativity.

In addition to being wrong analytically, the conservative leader's statement betrayed ignorance of an exceptionally important statistical fact with political importance: When people become educated and wealthy, they become more sensitive to environmental quality. In other terms, they become “Greener”.

While there are some exceptions, this principle of coincidence holds true across time and cultures. It is really quite simple but widely ignored, especially by conservatives. Denying this reality frustrates efforts to achieve freedom and prosperity while protecting the environment that we enjoy and upon which we depend.

It is productive to accept the tenacity and cultural depth of environmentalism. After doing so the key question is how to design and advocate institutions that harmonize ecology, liberty, and prosperity. This involves governments as monitors of externalities and reducers of transaction costs, not managers of resources. We will consider this with reference to national forests, parks, and wilderness areas.

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1. Milton Friedman initiated my thinking on this subject. In the winter of 1972 he came to Montana to give a talk. This was shortly after publication of the "Bolle Report" in the *Congressional Record* in 1970.

Here is the short version of the report: The U.S. Forest Service's management of the Bitterroot National Forest was ecologically destructive and economically wasteful. Due to the bureaucratic pathologies we've come to expect from federal agencies, it lost money selling the timber inventory it obtained for free. By terracing fragile ground for planting after logging, it concurrently caused substantial environmental damage. This included erosion that harmed trout habitat and farmers irrigation projects.

Milton was unaware of the Bolle Report or of the Bitterroot National Forest. However this was a hot issue in Western Montana and Friedman was asked how to fix the problem. His response was simple.

Don't do anything radical he counseled. Rather, just sell the National Forests off at 5% a year. Thus the National forests would be liquidated over a twenty-year period and the problems would end.

Later that day I challenged Milton in a public debate. I had been a timber buyer, contract logger, and taught forestry. My colleague Rick Stroup took notes on the debate. We converted them into an article we sent to the University of Chicago's *Journal of Law and Economics*, "Externalities, Property rights, and the Management of the National Forests". Milton's colleague at Chicago, Ronald Coase was the editor and he accepted our piece without revision.

Essentially, we argued that both private and governmental managers make decisions based primarily on two things, information and incentives. Both are largely determined by institutional arrangements.

Could the Forest Service be reformed to generate economically and ecologically sound incentives? I thought the odds of this occurring were higher than those of getting private firms to consider both positive and negative environmental externalities. History has proven me wrong on both counts.

At the federal level "sylvan socialism" works no better than other forms of national socialism. For reasons suggested by public choice economics, all state

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forests and most private ones do far better in both ecological and economic terms. Below I define the environmental terrain considered here.

< R O'T 1998 www.ti.org/sa22.htm

“The fiscal responsibility and environmental sensitivity of national forest management will improve only after the Forest Service's budget is completely restructured with new incentives... Forest Service prestige will continue to decline and national forest controversies will continue to divide western communities.”

Randal has since adjusted his view. On July 6 he wrote me this: " It is with some chagrin that I report that this has proven to be partly wrong. Between 1990 and 2000, national forest timber sales declined by 85 percent. This wasn't because of the spotted owl; most of the decline was voluntary on the part of Forest Service officials who had come to agree that they had been cutting too much timber.

Part of that was due to the fact that urbanites who had gone to forestry school after the 1970 National Environmental Teach-In had a very different land ethic than the ruralites who had made up most forestry students before, and by 1990 the urbanites were reaching positions of power in the agency.

However, while they were more environmentally sensitive, they weren't more fiscally responsible, and the Forest Service today loses more money than ever producing less. Today, instead of being a "Timber Service," it has become a "Fire Service"; half the Forest Service budget goes for fire, up from less than 10 percent two decades ago. Timber never consumed more than 40 percent of the budget. Most of the fire spending is unnecessary--the BLM and other USDI agencies spend a lot less on fire--but the Forest Service gets away with it because Congress doesn't know how to deal with fire except by dumping money on it."

The Washington Post reported in 2004 that a large area of the Tongass National Forest in Alaska was clearcut and the trees left to rot because of inept planning by the Forest Service.⁹ U.S. taxpayers lost millions of dollars in Tongass. The agency's costs

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of selling timber from Tongass have substantially exceeded fees collected from timber companies.”

- See more at: <http://www.downsizinggovernment.org/agriculture/forest-service#sthash.jxedebsh.dpuf>>

http://evergreenmagazine.com/web/A_Tale_of_Two_Timber_Sales_How_and_Why_the_Forest_Service_is_Failing_in_Montana.html

A Tale of Two Timber Sales: How and Why the Forest Service is Failing in Montana

By: Derek Weidensee

One is the best of timber sales, the other the worse.

The best is a State of Montana Department of Natural Resources and Conservation (DNRC) timber sale, and the worse is a Forest Service (FS) timber sale. The two are separated by less than three miles but are worlds apart in efficiency, profit, and fulfilling the will of the public.

The Forest Service timber sale is the Bozeman, Montana Municipal Watershed project (BMW) which proposes to thin a few thousand acres to reduce forest fire severity in the watershed that provides 80 percent of Bozeman's drinking water. The FS began their Environmental Impact Statement (EIS) process with a "public scoping" on the project in 2006, and seven years later it is still tied up in environmentalist-led litigation.

Meanwhile, the state's Bear Canyon Timber Sale began "public scoping" in 2010 and by the end of 2012 logging was almost finished! Radical environmentalists claim the BMW is just another "below cost timber sale" subsidizing the timber industry while the state will make a tidy profit from the \$900 per acre the loggers will pay them.

The two timber sales are a microcosm of not only what's wrong with the Forest Service in Montana, but what's right with every state timber sale program in the West. One can destroy the below cost timber sale argument by simply asking why it is that EVERY state timber sale program in the West makes money while the Forest Service loses money. If the states can do it, why can't the feds?

Over the last 10 years, Montana DNRC timber sales have averaged \$2.00 in revenue for every \$1.00 in cost. The State of Oregon, which owns a mere 3 percent of the state's forested acreage, harvests more timber than the Forest Service which owns 60 percent. In FY2011, Washington State made \$98 million in revenue while spending \$30 million to do it.

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Seattle Times

The Failure Of America's Sylvan Socialism

By John A. Baden

Special To The Times

FEBRUARY 22, 1997, marks the centennial of the creation of the national forest system. We can learn a lot from America's century-long romance with sylvan socialism. This Progressive Era experiment featured centralized planning by Green Platonic despots; it has inspired America's environmental legislation ever since.

The Progressive Era reformers, in contrast to America's Founding Fathers, believed that elite government planners could achieve efficiency, justice and conservation. Failing to first separate hopes and expectations, they launched America's counter-revolution by reversing the Founding Fathers' presumption about the role of government.

2.

Sludge and Romance

I divide all environmental issues into two parts. First and most important are pollutants. These are things that in strong concentrations injure or kill people and other living things. This category is **sludge**.

The second classification involves forests, parks, wildlands, and wildlife. These are the attractions that lure people and adorn calendars and coffee table books. This is the **romance** side of our environment. (And of course the categories often overlap, for example when toxic waters degrade trout streams.) As our home and ranch location between Bozeman and Yellowstone Park suggests, Ramona and I much prefer romance. Our entire discussion here involves the romance sector of our environment.

3. Liberty, Prosperity and Ecology

It is a mark of maturity, civility, and sanity, to cherish responsible liberty, modest prosperity, and sustainable ecology. Obviously there is huge variation in how individuals order each of these three values. I have met people who feel uncomfortable when they are outdoors and their feet are not on concrete, others willingly give up a great deal for financial wealth to live with nature. Some elect to live in material deprivation to foster their ecological vision.

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Given this variability, what set of institutional arrangements encourages a mix of responsible liberty, modest prosperity, and sustainable ecology?¹

The Progressive Era reformers of the period surrounding 1900 were successful in two arena; alerting people to profound problems, and imposing their vision of how America should function. They replaced America's classical liberal foundation with the presumption that government by experts was the preferred alternative.

The Progressives did not correctly analyze problems of common pools, externalities, free riding, optimal inventory, and collective action. They saw genuine problems such as poor timbering practices and the near extinction of bison and sea otter. They did not adopt institutional reform to address these bad practices by creating better information and incentives. Instead, they imposed management by enlightened experts.

Progressives had a simple formula for managing the public lands: Find fine good young men of good breeding and character, give them the best scientific training at the Ivies (initially at Harvard, Yale, and Cornell forests, then Michigan and Berkeley), and then set them out to manage "for the greatest good, for the most people, for the long run".

In accord with Progressive ideology, these experts would act as Green Platonic despots, but they devolved into bureaucrats. Bureaucrat that were exemplified by Forest Service management of the Bitterroot NF. And that was not the worst case, just the most visible.

Alas, minus the corruption that occurred in the former socialist nations of Eastern Europe, this experiment in sylvan socialism turned out as public choice economists would expect. In short, the bureaucrats responded to the perverse budgetary incentives generated by the political process.

¹ fn Richard A. Epstein <The Classical Liberal Constitution: The Uncertain Quest for Limited Government Harvard Univ. Press, 2013

The major disarray that infects every area of modern American life, he argues, from deficits and debt to health care, financial services, declining standards of living and more, could not have happened under the original constitutional structure, faithfully interpreted in light of changed circumstances. It arose from a profound progressive break with the classical liberal tradition that guided the drafting and interpretation of the Constitution.>

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The common but not universal result was environmental degradation subsidized by taxpayer. Ramona and I recently returned from coastal Alaska and saw dozens of clearcuts on the 16,000,000-acre Tongas National Forest. (BTW, with 100 + inches or rain per year, they heal quickly and nicely.)

A decade ago the Washington Post reported that much of the Tongas was clearcut with trees on many sales left to rot due to inept planning by the Forest Service. Of course U.S. taxpayers lost millions of dollars logging the world's largest temperate rain forest. With no residual claimant to monitor, management decisions were made in accord with political, not ecological and economic calculations.

Clearly, the Progressives' vision went badly awry. It has not managed "for the greatest good, for the most people, for the long run". Nor has it fostered Liberty, Prosperity or Ecology. Rather, at the federal level we have a management system driven not by science but rather short-term political calculations. As a result, due to the political power of the Greens, the federal forests are gridlocked. (For one example of the contrast between federal and state forests see

http://evergreenmagazine.com/web/A_Tale_of_Two_Timber_Sales_How_and_Why_the_Forest_Service_is_Failing_in_Montana.html

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4. Selling the National Forests: Uncle Milty's Proposal Reconsidered

Years ago I wrote a series of articles on how to best deal with the 192,000,000 acres of national forest. Only a small fraction of that land is suitable to commercial timbering on a sustained basis. Most of it is so unproductive that timber won't pay its way out of the woods.

This brings us to the basic rule of silviculture: Trees like to grow where it is warm, wet, and low. These are places like America's south eastern states or Douglas County, Oregon. Most of the National Forest lands are high, dry, and cold. The values of these

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places lie not in their timber but rather for recreation and ecological services such as watershed and wildlife habitat.

Conceptually, the lands suitable for commercial timbering could be sold subject to stringent environmental requirements. Examples might be no logging within 100 feet of streams, reseeded of skid trails, and other protections of non-timber values.

Politically, auctioning off the National Forests is an NFW, No Feasible Way. A recent survey of 500 registered Montana voters by Public Opinion Strategies taken on the 50th anniversary of the Wilderness Act showed that two thirds opposed selling public lands. This included 51% of Republicans, 67 % of independents, and 84% of Democrats. Roughly 4/5s, some 86 percent said conservation issues are important when considering candidates. (fn reported, 7/8/2013 *Bozeman Daily Chronicle*, p1.)

However, in the long run logic and data are powerful forces. As former Forest Service Chief, Jack Ward Thomas, explains lawsuits and environmental pressures have paralyzed the USFS. Aside from some research, all it can do to maintain its budget is try to put out fires.

Meanwhile, state forests are doing comparatively well. Further, the discretionary portion of the federal budget comes under ever increasing pressure. Hence, there are increasingly strong arguments to transfer productive national forest lands to states. I've long advocated that the non-commercial timber lands be transferred to private trusts.

5. The National Parks

Many believe the creation of national parks is one of America's best ideas. The first was Yellowstone in 1872. Federal management of them was probably optimal in the beginning. The U.S. Army managed Yellowstone for the Dept. of Interior until 1916, an effective way to control poachers of its wildlife. Yosemite was set aside as a park nearly a decade before Yellowstone, but it was given to the state of California to manage.

It is entirely likely our national parks would be better managed by the states- and independent fiduciary trusts are my preferred alternative to either. My claim is there are places that are most valuable when left in a largely natural state. Yellowstone stands out as an area we saved from mining and logging. I feel fortunate for this outcome.

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There are many sorry consequences flowing from federal control. Some individual I respect claim that the Park Service acts like a police state in treatment of its neighbors. During the shutdown of 2013 it surely acted in a thuggish manner. Given that they are saved, what are some better means for managing our parks and wildlands

By today's standards in the decades surrounding 1900, America was a poor Third World nation. Such societies quite naturally prefer the exploitation of natural resources to appreciation of natural environments and ecological preservation. Progressive Era politics protected parks and wilderness areas from many of the excesses of the pre WWI era. For that I am grateful.

Alas, federal management is necessarily political management. For example, beginning Oct 1, 2013, America's national parks and monuments were closed to the public for 16 days. Many people found this outrageous, perhaps most notably when the Park Service closed the WWII memorial to veterans of that war. A second example occurred when a busload of retirees staying at Yellowstone's Old Faithful Lodge were confined to the building. When their bus left, visitors were not permitted to exit the bus to use the restrooms in a privately-operated guest ranch within the park.

There are many good reasons to be upset by this, but there is a bright side for those who care about America's parks and wildlands. It gave ample warning of an impending near-certain crisis that will affect all American national parks and wilderness areas. A few dozen political economists have anticipated this problem and have been writing on it for 40 years.

Federal budgets will hit serious constraints imposed by financial markets within a generation, perhaps sooner. When this occurs the congress will slight luxuries such as national parks and wilderness areas. The likely result will be the violation of the parks' purpose and mission..

The national park shutdown sparked attention to alternative institutional arrangements for managing and protecting them. Fiduciary trusts for environmental management are an idea we have explored in the economics arena for 40 years. The advantages of independent, private sector fiduciary trusts will become increasingly attractive.

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There is good reason to believe that today's public lands could easily pay for themselves. Today 90% of revenues collected on federal lands comes from less than one out of 600 million acres. (fn R'OT)

Congressional restrictions on fee collections on the remainder keep the managers from securing this potential.

7. Wilderness Areas

In 1964 congress passed the Wilderness Act. This has placed over 100,000,000 acres in a protected status, one that precludes any sort of active management. CHRISTOPHER SOLOMON *NYT* of July 5th, 2014 (Rethinking the Wild: The Wilderness Act Is Facing a Midlife Crisis

- <http://mobile.nytimes.com/2014/07/06/opinion/sunday/the-wilderness-act-is-facing-a-midlife-crisis.html> - modal-sharetools

In Montana some people begin public meeting with a prayer regarding global warming. So long as moisture doesn't decrease, and so far it hasn't, we like it warmer--and the sooner the better. Living when it's -40° (F or C are identical) is tough indeed. Our biggest concern with climate change is the return of the ice age.

And climate change has another advantage; as the outdoors writer Christopher Solomon observed in the *NYT* July 5, "We need to rethink the Wilderness Act. We need to toss out the "hands-off" philosophy that has guided our stewardship for 50 years. We must replace it with a more nuanced, flexible approach – including a willingness to put our hands on America's wildest places more, not less, if we're going to help them to adapt and thrive in the diminished future we've thrust upon them."

That is a great beginning for a dialogue on the advantages of non-governmental fiduciary trusts for managing parks and wildlands.

Given the well know paralysis afflicting the Forest Service's ability to manage even commercial forests, and the sanctity of federally designated Wilderness Areas, active management by political agencies becomes most difficult. These are places "where the earth and its community of life are untrammelled by man, where man himself is a visitor who does not remain." (Wilderness Act of 1964, PL 88-577)

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This is what I expect. Influential people, the well off and educated, tend to be Green and will remain so. Due to entitlements including Social Security, Medicare and Medicaid, veterans' benefits, as well as declining economic growth due to poor regulations and America's growing actuarial deficit which will constrain discretionary spending at all governmental levels, expenditures for protecting our "romance lands", parks, forests, Wilderness, and associated wildlife will drop.

(fn Regarding this certain financial threat, Randal O'Toole opined: "If Congress on the one hand stops throwing money at the agencies and on the other hand allows them to collect user fees at market rates, the lands could be turned into income producers, and this would also result in better land management." (personal communication)

Concurrently, state and federal agencies will seek more revenue from these lands. Commodity values will threaten amenities, environmental services, recreation, research, and wildlife. Then actions of governmental agencies will be charged with resembling the "rape and ruin" mentality that motivated the conservation movement of the Progressive Era.

Next, as in the late 1800s, policy entrepreneurs will propose new institutional arrangements to manage the threatened lands, waters, and wildlife. Fortunately, the models are well developed. Many may be traced to Bozeman, Montana are the last four decades. All are based on the rule of law, responsible liberty, the market process, and entrepreneurship. All recognize the importance of our environment while creating incentives to harmonize liberty, prosperity, and ecology. Like so many good proposals, these owe a great deal to our departed friend, Milton Freidman.