



by Paul Jakus

## Getting into the Dirt of Public Lands Policy

In a short paper entitled “The Obligations of a Policy Economist,” Paul Portney (2004) outlined three responsibilities of the public policy analyst. First, we must be very clear about what economics can and cannot tell us about a policy decision, as well as being explicit about the numerous assumptions that underlie any economic study. Second, we are required to describe the full array of benefits and costs of a given policy. That is, we must consider the good and bad aspects of a policy, even if we have undertaken the study for a client with an interest in a particular outcome (or, I may add, if we hold a strong personal opinion about a policy). Finally, Portney states that economists must think beyond an “optimal policy” and instead consider the political and social constraints faced by decision makers when designing a policy. Economic efficiency is only one piece of the policy puzzle and there are many other concerns that influence a final policy decision. This last obligation directs us to leave the ivory tower and get our hands dirty as we use our analytical tools to help shape public policy.

In much of public lands analysis, non-economists seem to consider the notion of economic efficiency as peculiar at best or, at worst, a laughably unattainable ideal. Instead of economic efficiency, those engaged in the octagon of public lands policy must grapple with more prosaic economic matters, such as the fiscal cost of a policy or its overall impact on employment opportunities and regional income. If an economist wishes to have his or her work influence policy decisions, then economic analysis must be framed to address the needs of policymakers and the general public. Much as it pains economists, economic efficiency seemingly takes a back seat to other concerns.

I have helped study two relatively high-profile public lands issues—the transfer of federal land to states and designation of landscape-scale national monuments—not from the perspective of economic efficiency, but instead based on questions defined from the perspectives of policymakers and interest groups. In neither case did our research teams conduct a full benefit cost analysis (BCA), as would be needed to evaluate whether a given policy improved economic efficiency, yet the public response to each study would seem to indicate a strong demand for a comprehensive BCA.

Encouraged by high livestock and energy prices in the early 2010s, Utah legislators sought to transfer 31 million acres from federal control to the state. Legislators assured residents that transferred land would remain publicly accessible and that environmental protections would remain in place. The state’s fiscal argument in favor of a transfer rested upon two contentions. First, state public land agencies, with experience earned from their administration of



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Utah's 5.5 million acres of state-owned land, could manage the transferred land at a lower per-acre cost than federal agencies. Second, state managers would increase revenues associated with commodity production and recreation. Increased revenues combined with lower management costs would allow the state to absorb the responsibilities of managing an additional 31 million acres of public land without raising taxes. Those against a land transfer claimed that Utah could never afford to manage the land and that, should it gain title to federal land, the state would be forced to engage in extreme actions so as to avoid budget shortfalls. Each of these arguments seems plausible.

The state of Utah sponsored a team of researchers, of which I was part, to analyze the proposed land transfer. Although our study focused on economic dimensions of numerous public land issues, its central focus was the question outlined above: Could the state assume the obligation of managing 31 million additional acres without resorting to non-land-based revenue sources? Our fiscal analysis, for which team members from the University of Utah did the heavy lifting, was released in December 2014, and then later distilled in a journal article (Jakus et al. 2017). We found that (1) federal lands were, on average, less likely to produce marketable commodities than private lands; (2) state agencies were unlikely to be able to manage public land at a lower per-acre cost than federal agencies; and (3) land-based revenues in Utah were dominated by oil and gas production. The state of Utah could generate land-based commodity revenues sufficient to cover the cost of land management if (1) oil and gas prices remained high (roughly, above \$90/bbl); (2) the state obtained 100% of all oil and gas royalties; and (3) the rate of drilling on public lands increased. If these conditions were not met, then the state could not cover the cost of its management obligations and other revenue sources would need to be secured.

This study received widespread coverage in the Utah press and, although our conclusion would hardly seem controversial to an economist, the debate was vigorous. The state of Utah, our study sponsor, expressed great confidence that energy prices would remain high—even as prices were in the midst a free fall from their record levels of July 2014—and

claimed that our study demonstrated support for a transfer. Environmental groups seized on our results to reach an opposite conclusion: we had convincingly demonstrated the fiscal risk of a land transfer.

A second public lands study effort addressed the economic effects of large, landscape-scale national monuments (NMs). Beginning with Utah's 1.9-million-acre Grand Staircase-Escalante NM (GSENM) established in 1996, Presidents Clinton and Obama used the Antiquities Act to designate about two dozen large monuments (roughly, greater than 75,000 acres). The large size of such monuments recognizes that the historic, prehistoric, and scientific objects to be protected do not stand in isolation from one another and are, instead, connected to one another in a manner similar to physical and biological elements that compose an ecosystem. Management plans for landscape-scale monuments are designed to shield the scientific value of the protected objects by preventing new commodity production activities and limiting expansion of ongoing activities, while simultaneously constraining development of tourism infrastructure within monument boundaries.

The joint restrictions on commodity production and tourism growth have naturally raised the question of the economic effects of large national monuments. Land use restrictions associated with landscape-scale NMs are alleged to harm local economies due to reduced profitability of agriculture and extractive industries, as well as constraining future regional economic development alternatives. In contrast, others have asserted that large monuments beneficially stimulate regional economies through growth of the tourism industry and reduced economic reliance on volatile commodity markets. Incredibly, both sides pointed to Grand Staircase-Escalante NM as evidence in support of their position.

The key economic question posed by participants in this debate is not economic efficiency, but whether large monuments cause aggregate regional economic benefit or economic harm. However, a review of the economics literature revealed no empirical basis for either of the economic arguments outlined above, and our study of the Grand Staircase was the first empirically rigorous characterization of the regional economic effects of landscape-scale NMs. We used

two different econometric approaches to gauge how monument designation affected the time path of per capita income in Utah's Garfield and Kane counties (home to the GSENM) relative to surrounding counties. Both econometric approaches yielded the same result: the GSENM has had no statistically significant effect on the time path of per capita income in the treatment counties relative to control counties. The GSENM has proven to be neither a boon nor a bane to the regional economy.

Similar to the land transfer study, our work on the GSENM was featured widely in Utah's statewide newspapers, on TV and radio broadcasts, and podcasts. In contrast to the strong response received from elected state representatives and interest groups for the land transfer study, the response to the national monuments study was...silence. Our result, which has since been replicated for counties hosting nine other landscape-scale national monuments, was ignored. We suspect this is because our research conclusion has left little room for either side to claim vindication for their position. Instead, these groups held fast to entrenched ideas regardless of the new information. At the urging of Utah's federal and state legislators, President Trump reduced the size of the Grand Staircase by half, claiming that large monuments "threaten your local economies." Environmental interest groups continued to use the NM analysis produced by Headwaters Economics, which showed only that large NMs have not obviously harmed local economies, to incorrectly claim that NMs benefit local economies.

Getting my hands dirty in fields where public lands policy is made has been, on the whole, rewarding. As an academic, watching the response of legislators, government officials, and interest groups to our policy analyses has been educational; as a citizen, the experience has been sometimes affirming and sometimes frustrating. But policymakers' reactions do not tell the full story. Public lands research is of intense interest to the general public so that one's academic work, typically restricted to the domain of the obscure, becomes subject to public debate as conducted by non-experts. Here I refer not only to opinion pieces and letters to the editor, but also to (often vitriolic) online comments regarding one's research. Reading through these pieces is not for the weak-kneed or faint-of-heart, but there is much to be

learned. Cutting through the mudslinging and name-calling, a common thread emerges: our economic studies have not answered the real question of public lands: How do different policy approaches affect the value of the market and non-market resources that flow from public lands?

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For example, if a state ramps up oil, gas, and coal production on its newly acquired public lands, what will be the effect on public lands access? What are the consequences for water quality and air quality? How will additional releases of carbon affect climate change? How will state management influence populations of threatened and endangered species? If the Antiquities Act is fundamentally about protecting the scientific value of protected objects, what is the value of such protections and what trade-offs are we, as a society, willing to make to secure such protections?

It is evident from such public comments—although not always expressed clearly and succinctly—that the general public demands a comprehensive BCA of public lands policies. That is, the economic efficiency criterion so desired by economists to assess policy options is also desired by the population whose wellbeing and behavior will be affected by public lands policy. Such an approach would necessarily involve substantial reliance upon nonmarket valuation methods to estimate the full array of benefits and costs, methods for which many policymakers and interest groups have expressed great skepticism. Further,

such studies are time-consuming and expensive, two attributes typically at odds with the interest and needs of those who fund public lands studies.

As economists, we must continue to advocate for a comprehensive BCA; in the absence of such a study, the second-best solution is to adhere to Portney's third obligation and continue to work on economic questions as defined by those who are not economists.

## Suggested Reading

- Jakus, Paul M. and Sherzod B. Akhundjanov. 2018. Neither Boon nor Bane: The Economic Effects of a Landscape-Scale National Monument. *Land Economics* 94(3): 323-339.
- Jakus, Paul M. and Sherzod B. Akhundjanov. 2019. The Antiquities Act, National Monuments, and the Regional Economy. *Journal of Environmental Economics and Management* 95: 102-117.
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- Portney, Paul R. 2004. The Obligations of a Policy Economist. *Agricultural and Resource Economics Review* 33(2): 159-161.