

Grazing Fees vs. Stewardship on Federal Lands

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Overview

- Are low fees on federal rangeland just a give-away to ranchers?
- Answer: No, low fees help ensure ranchers comply with stocking limits.
- Intuition: Fees *fixed* cost. If punishment for violation is termination of lease, high fees incurred by compliant ranchers forever, by non-compliant only until caught.

Model

- Adverse Selection
 - hidden characteristic: rancher productivity
- Moral Hazard
 - hidden action: compliance with rules

Game

- Govt. chooses
 - Monitoring strategy (exogenous?)
 - Stocking rate
 - grazing fee
 - penalty
- Ranchers choose stocking rate
- Govt chooses monitoring action (?)

Suggestions

- Does not explicitly discuss role of productivity in rancher reaction function.
 - Equilibrium implicitly assumes ranchers comply with stocking rate set at *average* productivity.
 - Punishment only incurred for *over* stocking.
 - Although fixed cost, high fees may keep low productivity types out of market.
- Suggestion: Adverse selection seems unnecessary for results. Focus on representative rancher.

Suggestions

- Place grazing fee in govt. objective. Otherwise
 - Is it optimal for govt. to set it to zero?
- Place bound on penalty. Otherwise
 - Standard result: high penalty + random (exogenously determined) enforcement = compliance?
 - Grazing fees don't discourage compliance (if penalty high).

Suggestions

- Explicitly analyze equilibrium on private land.
 - Not worried about external benefits, but
 - Cannot impose penalty
- Provide (anecdotal?) evidence
 - What are actual compliance/stocking rates on public land?
 - Is public land more degraded than private?