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Public Resource Pricing: An Analysis of Range Policy

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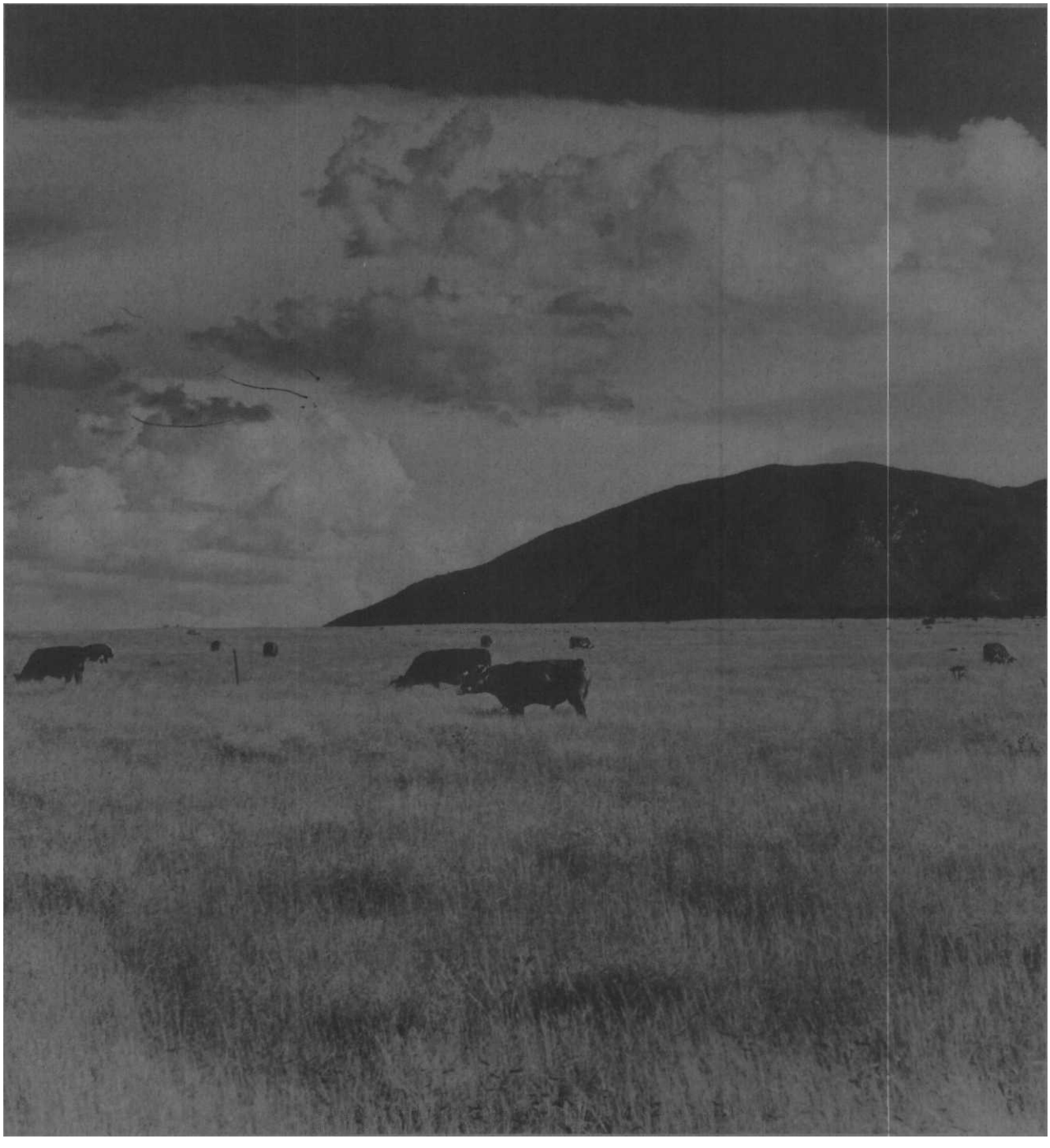

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Abstract

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Pricing represents an important step in the allocation of scarce resources. Markets, which set the price policy, are not restricted by a simple buyer-seller relation. The Federal grazing-fee policy is at the forefront of controversy surrounding the pricing of all uses of public lands. The pricing process of grazing fees has been cyclical. With few exceptions, the cycle, which takes 8 to **14** years, includes (1) initial study, **(2)** fee implementation or proposal, (3) lawsuit, **(4)** congressional hearings, and (5) fee compromise. The tradeoff between strict market pricing and political market pricing **is** efficiency and equity. Government agencies, Congress, and the ranching industry all have conflicting interests that affect strict equity-efficiency decisions. If policy results in income transfer for resource use or access, a quasi-right **is** established and controversy **is** assured in future pricing.

Keywords: Range users, grazing permits, grazing fees, policy (rangeland).

Contents

1 **Introduction**

1 **The Politicall and Economic Processes**

2 **Public Policy: A Continuing Process**

4 **The Grazlng-Fee Policy Cycle**

5 Why a Grazing Fee Controversy?

8 The Policy Participants

11 The Political Climate

11 **Historical Analysis** of **Grazing Fee Policy**

13 Forest Service—the Early Years

18 Grazing Service—the Rise and Fall

21 Forest Service and Bureau of Land Management—1947 to 1966

25 **Current Fee** Policy

25 Houseman Report (1966 Study)

27 Public Land Law Review Commission

28 Federal Land Policy and Management Act (1976)

30 Public Rangelands Improvement Act (1978)

31 **Summary**

34 **Literature Cited**

Introduction

Resources do not simply exist. An entity becomes a resource as society finds value for it and realizes its scarcity. This evolution of a resource's value has been characterized as changing from an expansionary phase into a mature phase (Randall 1981). As a resource matures, its supply becomes more inelastic and demand increases; intense competition among users increases. Randall further asserts that as the resource matures, policymakers focus on the role of the resource price in generating revenues, dampening demand, and allocating the resource among users. The institutions of the market set price policy. A market, however, is by no means limited to simple buyer-seller exchange; rather, it is part of the social institutions of human interaction. Not the least of these are political institutions. The intent of this paper is to examine the pricing of a Government-produced resource through maturation in a political market process.

More specifically, we investigate the political market pricing of livestock grazing on Federal lands. Grazing-fee policy is particularly illustrative because grazing fees are the vanguard of controversy surrounding the pricing of all uses of public lands. We chose livestock forage on Federal ranges from among publicly owned resources as a forerunner of the eventual pricing battle to be fought for all public resources, including amenity resources (wildlife) as well as commercial resources (grazing).

Resources from Federal lands are expanding to the mature phase, as is shown dramatically in the pricing of these resources. The first grazing fees were initiated 80 years ago to recoup administrative costs. Since then, forage, timber, and minerals are resources from public lands that have matured to where efficient pricing is being considered. Pricing of amenity resources is still embryonic; for example, the Public Land Law Review Commission (1970) recommended that a Federal fee be charged for hunting and fishing on Federal lands. The Secretaries of Agriculture and the Interior have since proposed fees that will recover costs of providing recreation (Peterson 1982). Thomas (1985) has also recommended fee hunting on Federal land.

Imagine a poky of charging skiing concessions on a yearly sealed-bid basis as has been proposed for grazing. The stability of the skiing industry, ownership of developments on the slope, costs of skiing to the consumer, ability of resort entrepreneurs to pay, and contribution of skiing to the economy are all issues that parallel the debated issues of grazing fees. Immense insight can be gained into future policy procedures for pricing most publicly produced resources by analyzing a resource that has matured.

The Political and Economic Processes

We will discuss both economic and political tools of analysis. Lasswell (1958) defined politics as a process that determines who gets what, and when and how they get it. Although not universally accepted, this view is useful for at least two reasons. First, the history of public-land policy can be summarized as a continuing struggle over who gets which resources, and when and how they get them. Second, this definition points out an important commonality between politics and economics. Both systems share a common goal of distributing scarce resources among competing demands. Unless the economic arguments are defined and the issues couched in the political process, the analysis will be meaningless.

Although grazing fees have been the subject of numerous studies, two factors create a need for new analysis. First, previous studies have simplistically portrayed the 80-year conflict over grazing fees as a power struggle between the livestock industry and Federal land-management Agencies to control public lands; we believe the grazing-fee controversy is much more complicated. Second, another round of controversy looms on the horizon. Passage of the Public Rangelands Improvement Act (PRIA) in 1978 marked the first congressional mandate for a uniform grazing fee charged by the U.S. Department of Agriculture, Forest Service (FS), and the U.S. Department of the Interior, Bureau of Land Management (BLM). Each inclusion and omission in the PRIA fee formula embodied 80 years of political compromise and controversy. This act also signaled the instability in the grazing-fee compromise because the fee was mandated to expire in 1985.

In this paper, we provide a skeletal description of the political process leading to a pricing mechanism; an overview of this political process as it applies generally to range policy; and general observations about a case study of Federal range policy.

Public Policy: A Continuing Process

Public policy is an elusive term that receives widespread use without a commonly accepted definition. Amid a variety of interpretations are at least two points of agreement, however: (1) All public policies are conscious decisions made by people; and (2) although the intensity varies from issue to issue, every public policy represents an attempt to resolve political conflict.

The study of a specific policy must: (1) examine the substance of the policy-that is, attention must be paid to the nature of the issue as well as to the relevant facts; and (2) give equal attention to the process by which the policy is created. Relevant questions are: Who is involved in the decision? What are their perceptions and motives?

Policy analysis would be relatively easy if these lines could be pursued independently. Unfortunately, the substantive and procedural aspects of public policy are interactive and, as a result, create what Schattschneider (1960) has appropriately termed "the fog of political conflict." We offer general observations about the 80-year conflict over Federal grazing-fee policy.

Policy decisions in the American political system are seldom final. Access to and influence of the mechanisms of Government distributed unequally create the potential for "winners" and "losers" in policy decisions. Negative consequences to losers in a democratic system are mitigated because the losers are neither executed nor banned and are thus free to continue to press their demands. Persistence in a democratic system can clearly demonstrate rewards.

Persistence is not all that is required, however. A second factor reflects the dynamic nature of society in general. As Gaus (1947) observes, events and changes in society apparently unrelated to Government often produce demands for Government action. Conversely, changes in Government policy often alter the structure of demands in society (Wildavsky 1979). Although the interaction between Government and society has numerous implications, the important point, for our purposes, is that this dynamic feature can be exploited by people seeking policy change.

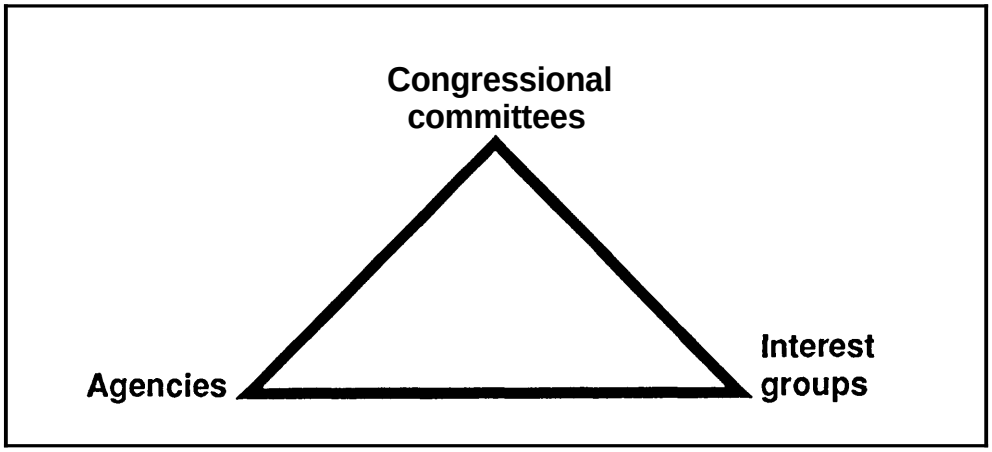

Figure 1—Policy participants.

The democratic character of the American political system, in combination with the dynamic nature of society, creates the stage on which all political conflicts are played. Political conflict, however, is a generic term encompassing a broad array of activities. Elections are perhaps the most visible form of political conflict. At the less visible end of the spectrum are the conflicts associated with the phenomenon termed "subgovernments."

Ripley and Franklin (1980, p. 7) define subgovernments as "small groups of political actors, both governmental and nongovernmental, that specialize in specific issue areas." A typical subgovernment is composed of members from Congress, the bureaucracy, and the public. Figure 1 represents subgovernment structure and suggests why subgovernments are sometimes called "Iron Triangles."

Subgovernments are held together by mutual interest. All participants perceive a stake in policy and therefore seek to dominate the decision process and outcome. Success in capturing the decision process depends mainly on two factors: the extent of general public interest in the policy and the ability of the participants to resolve their differences internally. A policy area that generates little public visibility is most subject to subgovernment influence.

The internal dynamics of subgovernment structures can assume *two* general patterns: The goals of the participants may be compatible, producing a fairly harmonious and stable relation; or the goals may be in opposition, and the stability of the subgovernment may depend on the definition and maintenance of a mutually acceptable cornpromise position.

Contrary to the image suggested by Iron Triangles, subgovernment participants can transform policy areas of low visibility into extended public debate. The election of a new President or new Senators and Representatives, for example, may introduce people with different values into existing subgovernment structures. An established subgovernment is then confronted with an array of new people demanding access to the decision process. The continued dominance of the subgovernment becomes a function of its ability to adapt to these new demands. Ingram and McCain (1977)

have explored this type of adaptation in their consideration of the impact of the environmental movement on the traditional subgovernments dealing with water (for example, congressional committees, Federal Agencies, and interest groups involved in Federal water policy).

External threats to the stability of a subgovernment can also be initiated by the participants themselves. For instance, dissatisfaction with the terms of a compromise may lead some participants to mobilize external forces to enhance their bargaining position within the subgovernment. This strategy entails some risk because externalizing the conflicts may increase the visibility of the policy area; however, skillful use of this strategy can produce significant advantages.

Subgovernments represent dynamic forums in which people concerned with, and usually most knowledgeable about, specific policy areas work toward mutually acceptable decisions. The decision process used by subgovernments mirrors the larger political system. In the short run, each decision reached is a compromise that mitigates the existing conflict. In the long run, the continuity or discontinuity in the decisions produced by a subgovernment reflects the values and interests of the society in which the subgovernment exists. Our observations are general, but their importance will become apparent as we discuss the specific issue of grazing-fee policy.

The Grazing-Fee Policy Cycle

Resources are used in the production process to provide goods and services for society. Many resources are actively traded in markets, and the competition of willing sellers determines the prices. Pricing of resources in private ownership is not controversial, but in public ownership may cause considerable controversy. Public resources are "owned" (managed) by the Government; yet some public resources (oil, for example) are extracted and used without bitter controversy about return to the Government. The problem of pricing public resources arises not from Government ownership per se but from the mechanism by which Government sets prices. This mechanism forces the Government and resource user away from the economic self-examination of individual costs and returns and into the arena of politics. Political potential molds the triad of Agency, interest group, and congressional committee, with each seeking gains through pricing and effectively excluding other interests. The triad, in seeking a mutually acceptable fee, repeats the steps in each pricing cycle. We outline the history of grazing fees, as the triad has molded price-each with evolving perceptions of rights and privileges. Our focus is Federal grazing; the implications are for all resources.

As mentioned, Government ownership does not preclude market pricing and allocation of resources. Only when the triad of policy formulators forces Government-imposed pricing do charges diverge from the market and offer incentive for political persuasion. Each group of the triad has an interest in maintaining administered pricing. Each group argues that the isolation of Government range ownership creates potential for collusion in the leasing market. A rancher who controls water or access controls grazing, yet a vast majority of range would be available for competitive bids. Thus, the rancher is worried about stability of the fee, wealth of the permit, and amount of the fee; the Agency is concerned about administering a complex competitive system; and Congress, preferring equity for ranchers and shunning the political adversity of competitive markets for grazing, adheres to a socialist pricing scheme.

Steps in the policy process of establishing a price have been repeated in cycles. Each pricing cycle sets in motion the next; the political pricing cycle cannot produce a resolution. The flaws arise from steps common to all cycles, but, more important, avoiding permanent pricing is in the interest *of* each member of the triad. The steps of each cycle take the stark necessity of fee increases as suggested by Agency studies and mitigate those results with outside review or congressional scrutiny. The upshot of the review step is to include the rancher's concerns of tenure and income, which inevitably means an easement of the Agency's first proposals. Thus, the base fee begins with a disparity from fair market value (the competitive norm). Agency recommendations reflect ease of administration compromised with the livestock industry's desire to mirror only changes in agricultural demand in updating the fee. Thus, the biased base fee through time will converge on agricultural welfare. The result is inevitable: **a** fee that increasingly diverges from comparable private rates.[1] This fee schedule then becomes vulnerable to pressures from outside the triad—the impetus for the next pricing cycle. The form of the group that impels the triad to move through another pricing cycle changes over time, yet the force to drive the cycle remains.

Why a Grazing Fee Controversy?

The costs incurred by ranchers for grazing on public lands are greater than revenues accruing to the Federal Government. This difference has been the source of contention over fees at the inception of charges. If all costs of grazing accrued as revenue to the Government, the grazing-fee policy would be largely superficial and most assuredly lack political controversy. A brief summary of the causes of differences between rancher costs and Government grazing revenues is an appropriate first step in the analysis.

Throughout the history of fees, the rate that is charged the rancher has been derived from two components: the base and the index. The base fee is determined or arbitrarily set as the charge for a single (base) year. As relevant conditions change, the base fee is updated by the index. Thus, the grazing fee is base times index. Definitions have been purposely vague and broad because, as we will see, many variables have been advanced. The focus of this paper is on examining and analyzing the policy that has formulated the fee base and index.

The costs of Federal grazing are **(1)** the fee, (2) the costs of grazing incurred by the tenant in excess of private-land leases or "nonforage" costs, and (3) the cost of the permit or opportunity costs on permit value. Government policy sets or influences the rate of all three categories of cost; however, only revenue from fees and a modicum of nonforage costs that enhance the value of other resources accrue to the Government. The nonforage costs are not set by fee policy but by the attributes of the land

[1] The price in the market is determined by the intersection of supply and demand. Indexing a fee with only the livestock price, which is a determinant of demand, omits shifts in supply and other factors of demand (for example, substitute food prices). Thus, beef price indexing through time reflects the income of ranchers. This is opposed to an indexing method that, through time, mirrors all supply and demand factors and maintains the accuracy of that base related to the year in which the base was compiled.

and Agency policies governing public lands. For example, the current trend of implementing grazing systems increases management, fencing, and other nonfee costs incurred by the rancher. The Agency is thus relieved of many of the expenditures of improving, maintaining, and managing a comparable private landlord. In 1966 when nonforage costs were surveyed, the use of Federal grazing required 30 percent more nonforage expenses than did use of private forage (Nielsen 1982). In large part, greater nonforage costs are charged to permittees by the Agencies because of the intensive grazing management required on Federal lands to meet other multiple-use goals. As an example, increased herding may be necessary to accommodate recreation use on an allotment. The problem is that permittees do not make these expenditures explicitly nor do they receive a fee discount. Yet the rancher is held hostage, either to undertake the costs or to risk revocation of the permit.

The level at which the Government sets fees, in turn, is the principal factor determining permit value (Bergland and Andrus 1977). The difference between net returns from grazing and the fee is an income stream accruing to the rancher. The value of a permit is the present value of this income stream.

The system of grazing leases that allows the permit to retain value arises from the history of allocation and adjudication for Federal grazing. At the inception of the BLM and FS grazing, allotments were distributed among ranchers who were currently grazing livestock in a particular region. Much of the public grazing use was not contested but was controlled earlier by acquiescence, tradition, or coercion. Illegal fencing and control of water and access were common practices. Truly open range was embroiled in a bitter struggle as ranchers attempted to assert control over portions. In particular contempt were the migratory sheep herds that seasonally moved onto ranges considered property of local residents. As late as the 1920's, range wars were fought on open land in western Colorado. Local cattlemen organized to kill bands of sheep and to threaten herders (Goff and McCaffee 1967). As the permit system was being established, first by the FS and later by the BLM, the livestock people coalesced to protect their interests. They transformed their ability to defend their ranches in the Old West style into skills of working with an emerging grazing bureaucracy to accomplish the same ends. Migratory livestock people were not resident voters, nor were they represented by organizations; thus, the interests of resident sheep and cattle ranchers prevailed. In fact, the first grazing regulation in 1901, still in the Department of the Interior, was "(Grazing) permits should run for five years. Residents should have precedence in all cases over tramp owners and owners from other states...." (Dana 1956, p. 110-111). Grazing was distributed on a series of regulations based on commensurate property, length of tenure, and residency, all of which strengthen interests of local livestock owners.

The resulting grazing allocation tied each private ranch to a specific allotment of grazing (thus, the term "allotment" has come to mean a pasture on Federal lands). The grazing lease is a multiyear lease; the present tenant has right of refusal on renewal. The first legal suits over permits upheld the right of ranchers to transfer permits with commensurate property, which gives a sale value to the permit. Capital gains from permit sale are taxed, and loss of a permit can be written off as a capital loss (Nielsen and Roberts 1968). Thus, the permit has assumed a portion of the total bundle of private property rights. Hooper (1971) termed this quasi-right a possessory interest with strict legal definition. Yet the Federal Government has been upheld

in revoking or regulating grazing permits. In the case of Light vs. the United States, the court held that the permit "did not confer any vested right on the compliant, nor did it deprive the United States of the power of recalling an implied license under which the land had been used for private purpose" (United States Supreme Court 1911a). Despite this hazy distinction between right and privilege, the Federal Government has steadfastly refused to recognize any permit value because it believes that recognition implies the granting of full property rights. The laws governing transfer of permits, however, are sufficiently vague that they allow transfer of the permit with or without the ranch land per se. A considerable amount of circuitous legal requirements must be met, but the fact remains that permits are sold independent of the ranch to which they were originally issued. By **1969,** about 60 percent of the ranchers with Federal grazing permits had purchased their permits from other ranchers (Public Land Law Review Commission **1970).** In short, when fees are raised, the accumulation of wealth ranchers have invested in Federal grazing permits is diminished.

The question arises, who is receiving the subsidy if the Government is not receiving the revenue? A rancher who decides to purchase a permit pays the interest or opportunity costs on the permit, the fee, and the nonforage costs, all annually. The interest cost on the permit can be thought of as a rental charge that is paid until the rancher wishes to sell the permit. Thus, only the ranchers who were originally granted the permits—that is, the first generation of pioneers—received a subsidy. This subsidy was paid by the Government in terms of forgone fees or sale value that was not assessed against the original permittee.

For almost all publicly owned resources, costs that users incur can be identified above that of comparable private resources. These costs may arise from an Agency's desire to meet other public goals, or costs may be indentured from a lease procedure that has assumed some property rights. In grazing, ranchers know they pay the full price for grazing through nonforage costs and permit value; yet in many people's minds, a continuing subsidy is being given the present permittees because these costs are covert and not flowing into Government coffers (for example, see Handwerg 1980). As Nielsen and Roberts (1968, p. 4) stated in their summary of the extensive research conducted at Utah State University:

> The key in the grazing fee policy controversy is whether the Federal Government will recognize the permit value as a cost of doing business for the rancher. If the permit value is recognized there is no justification **for** fee increases because total costs of using public and comparable private lands are statistically equal. **If** all costs of grazing, specifically permit costs, accrued as revenue to the government the market system that now controls permit distribution would set fee rates. Thus, government pricing of grazing would be superficial because the market in permits would determine revenues to the government.

Studies of public-land policy give three basic interpretations:

1. The grazing-fee controversy is a direct confrontation of stock-owners wanting low fees and bureaucracies pushing high fees (Foss 1960, Roberts 1963b, Voight 1976). The livestock lobby is portrayed as historically successful in obtaining favorable fee concessions (Roberts 1963b).

2. Federal land-management Agencies try to establish professional management practices in the face of hostile clientele and vague congressional mandates (Clawson 1971, Dana and Fairfax 1980).

3. Much of the conflict has resulted from bureaucrats seeking to establish, maintain, and expand their power base (Libecap 1981).

Our study differs from other studies in two ways. We are concerned only with grazing-fee policy, and we contend that grazing-fee policy has evolved within a subgovernment structure composed primarily of the public-land committees of Congress, the Federal land-management Agencies, and the livestock industry. The strength of this contention rests on the extent to which grazing-fee decisions reflect a compromise among the goals of the subgovernment participants and to a lesser extent, on reactions to changes in the larger political climate.

The Policy Participants

The Livestock Industry--The tradition of strong western livestock organizations from the era of grazing allocation persists today. Even though the old guard that coalesced to adjudicate grazing has passed, well-organized and influential stock-owner groups, such as the Public Lands Council and National Cattlemen's and Woolgrowers' Associations, remain. The major source of strength in the livestock industry in policy conflicts has been its ability to present a unified front. This outward unity, however, conceals the diversity of interest within the industry.

Federal grazing permittees in the West constitute one faction in the livestock industry, and their interests do not always coincide with the other factions. Ranchers in the East and Midwest and also ranchers in the West who do not use public lands often view Federal permittees as being on the Government dole subsidized by "welfare grass." In addition, within the western faction are varying degrees of hostility to Federal regulation. Thus, the motives of the livestock industry participants in the grazing-fee subgovernment do not necessarily reflect the entire industry.

Despite this diversity, the western faction has been successful in uniting the national industry behind its demands, which have focused on two interrelated issues—the costs (fee and nonfee) of grazing Federal land and the risks associated with an uncertain fee structure. Changes in grazing fees actually produce a twofold effect on the livestock operators, direct cost and impact on the value of the permit.

In 1968, Nielse'n and Roberts estimated that charging fees at fair market value would increase fee costs for Utah ranchers less than one-half million dollars annually but would destroy more than $26 million in permit wealth. These economic considerations produce strong political motives to keep fees low, as well as to ensure that changes in the fee structure are tied to the costs of the operation rather than the fair market value of the forage that will destroy permit value.

These economic considerations also point to the risks associated with changes in fee structure. Given total costs of grazing fees, the immediate impact produced by an increase is to threaten the survival of some operations. Although this factor might be dismissed on the grounds that the threatened operations are marginal anyway, it still produces a political motive. As Dahl **(1967)** suggests: "Any group that sees its way of life at stake will, obviously, be reluctant to compromise."

In the long term, the stability or instability of the grazing-fee schedule has important implications for planning, range improvement, and ultimately, the productivity of the range. A recurring position advanced by the stockowners is that with guaranteed access to the range (tenure), they would be more willing to practice sound-management techniques and to finance range improvements (McMillian **1970).** Conversely, the lack of tenure often forces profit-maximizing ranchers into the logic Hardin **(1968)** identifies as creating the "tragedy of the commons"; that is, the rancher is forced to extract the maximum short-term advantage from the range because long-term sole ownership is not assured.

Congressional Committees--The traditional interpretation of grazing-fee policy has cast Congress as the passive mediator in fee disputes to be manipulated by the most persuasive lobby (Farrell 1977). We contend that an indepth look at events shows Congress becoming active in forage pricing with its own fee-policy goals. The primary committees in the grazing-fee subgovernment are the House Committee on Interior and Insular Affairs and the Senate Committee on Energy and Natural Resources. Although both committees have subcommittees on public lands and subgovernments usually do not have full committees, the grazing-fee controversy historically has elicited full committee participation. Thus, limiting congressional participation in the grazing-fee subgovernment to the public lands subcommittees is unwarranted.

From the late 1800's to the present, the most influential members in both committees have been from the Western States, primarily because the overwhelming majority of the Federal public lands are in the West. Therefore, the constituency of the western delegation is most directly affected by decisions about public lands. The major motive of the Congressional participants is the desire to maintain visibility with and support from their constituency.

On the surface then, the congressional committees appear to offer a strong point of alliance for the livestock industry. This has often been true; however, the continued unwillingness of Congress to mandate a lasting grazing-fee policy suggests that the motives are more complex than they appear. At least three factors contribute to this complexity: (1) the need to balance regional interests with national interests, (2) the diversity of demands from public-land user groups, and (3) the personal interests of the Senators and Representatives.

Until very recently, the general public has not had a vocal or organized interest in public land decisionsso public-land user groups have dominated the decision processes. Concerns that public-land decisions promote the national interest have always been present. In grazing fees, this concern has been expressed in the belief that charging fees below fair market value constitutes an unfair subsidy for a minority at the expense of the majority. Because grazing-fee policy must ultimately be sanctioned by the full Congress, the motives of the western delegation have been tempered.

In a related vein, the diversity of interests among public-land user groups has direct implications for congressional representatives. For example, three traditional user groups—timber, mining, and grazing-have often found more points of disagreement than agreement in public-land disputes. Timber interests oppose grazing in the National Forests because it complicates timber operations, stockowners oppose mining because it infringes on their access to the range, and so on. Congressional representatives are unwilling to openly support one group over another because which interest group might be more influential during the next election is not clear.

Finally, a more or less personal aspect also has implications. Consider the different views of two recent chairmen of the House Interior and Insular Affairs Committee—Wayne Aspinall and Morris Udall. Both have credentials as Westerners and Democrats, yet they have widely divergent views about public lands. Throughout his career in the House, Wayne Aspinall was an important and influential voice for development. Udall has been an equally influential voice for preservation. This difference could be dismissed, of course, on the grounds that Aspinall and Udall are simply speaking to different constituencies--certainly part of the explanation. The careers of both men, however, give testimony that they are motivated by personal commitment as much as by their constituency. Congressional representatives are active subgovernment participants and not merely puppets manipulated by either the livestock industry or the Government Agencies.

The Agencies—Forest Service and Bureau of Land Management–Of the three subgovernment participants, the Agencies (BLM and FS) offer the most complex set of motives. They have no highly visible goal as do profit-maximizing ranchers or Congressmen up for re-election. Both Agencies were created to curb the perceived excesses of public-land users, and they have occupied this adversary role since their inception. The Agencies have often found the cooperation of public-land user groups necessary for effective management. This, in turn, has left them open to charges of being dominated by the forces they were created to regulate. Throughout their histories, the FS and the BLM have had the problem of trying to please all the people all the time.

To this common problem can be added some interagency differences that affect their respective subgovernment behavior. For instance, grazing has always been a secondary use of the National Forests, but, until recently, it was the dominant use of the BLM lands. In addition, the centralized structure of the FS generally forces policy conflicts to the upper echelons of the organization. In contrast, the BLM is a decentralized organization with a history of policymaking in the field. The combined effect of these factors has been a greater vulnerability to pressure from the livestock industry by the BLM than by the FS.

Initially, both Agencies experienced an era when grazing revenues determined Agency budgets. In such a setting, escalating fee revenues were a primary concern. As the Agency's mission evolved into diffuse multiple-use functions, Agency budgets were no longer tied to resource revenues. From the motive of income preservation as a form of security, the need for a secure bureaucracy has become increasingly manifest in desires for fees that are easy to administer and divorced as much as possible from Agency discretion. Thus, even the surface motive is often seen as the Agency advocating a higher fee than livestock owners advocate. The more pervasive motive is for a more secure and amenable environment in which to conduct what are perceived as more fruitful resource policies.

The Political Climate

In our general discussion, we suggested that events in the external political climate can affect the internal stability of subgovernment structures. At least three such changes important to the grazing-fee subgovernment have taken place. Here we will mention them; more detailed explanation is given in the next section.

The first event occurred in 1949 when President Harry S Truman announced the intent of the Federal Government to make a greater effort to secure a fair return from private use of public resources. Although this policy statement was not directed at grazing fees specifically, it nevertheless produced direct impacts on the grazing-fee subgovernment. Truman's statement opened the door for presidential intervention in the grazing-fee subgovernment through the Bureau of the Budget (now the Office of Management and Budget). It also added pressure for a grazing-fee structure based on the market value of forage rather than on the cost of operation.

The second, and perhaps most important, event was the rise of the environmental movement. The first sign was the election of President John F. Kennedy in 1960 and his appointment of Stuart Udall as Secretary of the Interior. The primary impact was to reduce the dominance of the livestock industry over the BLM. A secondary impact was to create a new set of demands that must be reflected in grazing-fee compromises.

The third event is the most recent, and its impact may still be in the future. Throughout the 1970's, the West experienced a significant increase in population. This inmigration, in turn, may present a variety of challenges to the stability of the grazing-fee subgovernment. Population growth carries potential for change in the western congressional representation. Further, because most of the population growth has occurred in the urban areas of the West, the influence of the rurally based livestock industry may continue to decrease. One indication has been suggested by a recent study of State legislative response to the sagebrush rebellion; in examining the voting patterns of western legislators, Francis (1984) determined that urban legislators expressed greater opposition than did their rural counterparts.

Historical Analysis of Grazing Fee Policy

The FS and BLM have far different origins for grazing-fee policies. The difference between policies did not result from the original intent of the first fee policies, which was to defray the cost of administering the grazing program. Rather, the difference was a result of the mandates under which Federal ownership originated. The Organic Administration Act of 1897 (30 Stat. 34; 16 U.S.C. 473-551) established Forest Reserves "to protect and preserve the forest." In essence, forest lands were to be

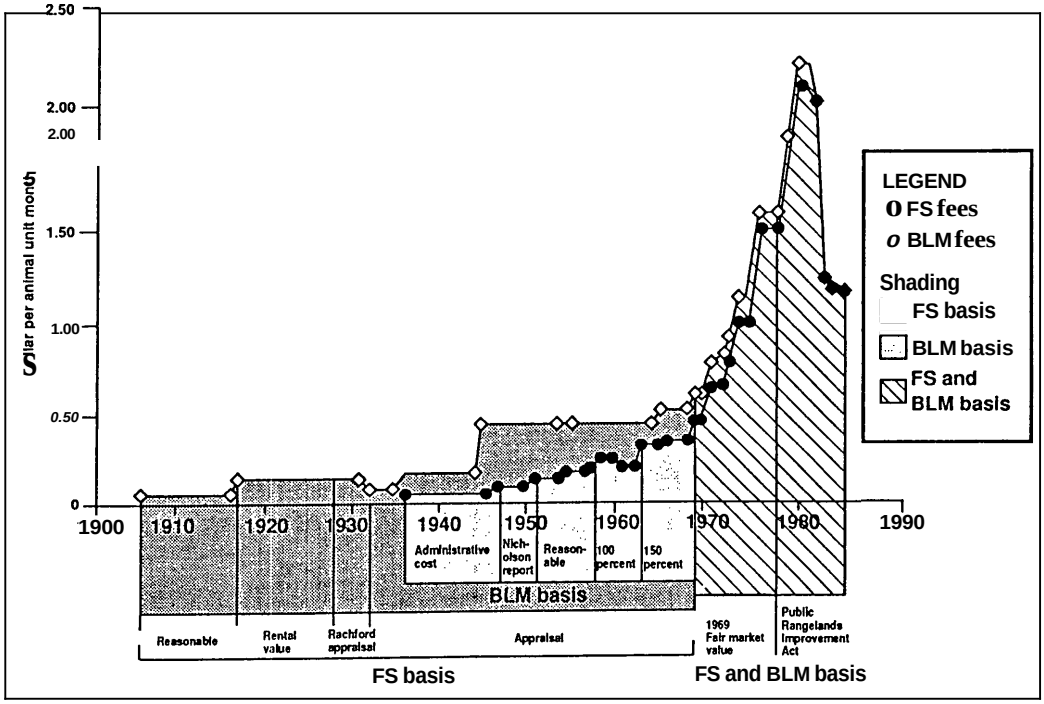

Figure 2—Federal grazing fees and their basis, 1900 to 1990.

held in perpetuity in the public trust for public benefit. Lands under grazing service jurisdiction (BLM) were intended to be in temporary transition pending congressional action to dispose of the lands. It was not until **1976** and the passage **of** Federal Land Policy and Management Act **(90** Stat. **2743; 43** U.S.C. **1701-1781)** that Congress changed BLM lands from temporary ownership, implied in the Taylor Grazing Act, to permanent Government ownership for sustained yield and multiple use. Until this time, intensive users of BLM lands felt some ownership or at least stewardship over lands that were only temporarily under Government ownership. The result was that the livestock industry objected vehemently to charging for land they pioneered and which they believed should revert to their ownership. From these widely divergent beginnings, grazing-fee policy for the FS and BLM converge to a unified policy and fee rate. As has happened in history when fee policy undergoes a metamorphosis, this portends far more sweeping changes in the entire environmental and natural-resource policy of land Agencies. The convergence of fee policy in the mid-1960's signaled the unification of Federal lands in sustained-yield and multiple-use management. Thus, a historical examination of grazing-fee policy is essential in providing clues for not only fee policy but also all resource policy in both the FS and the BLM (see fig. **2** for a graphic comparison of FS and BLM fees through time).

Forest Service—the Early Years

The first grazing fee did not, as several histories have stated (for example, DeNio 1962, Dutton 1953), begin with regulations issued in the Bureau of Forestry under Gifford Pinchot; the first fee was charged while the newly enacted forest reserves were in the Department of the Interior in 1900. As Roberts (1963b, p. 130) relates:

> The first proposal to charge a fee for grazing on the forest reserves was made by Interior Secretary Hitchcock in 1900 as a condition to rescinding the order excluding sheep grazing on Colorado Plateau Reserves. The proposed fee was three cents per sheep for the summer season. Sheepmen, fighting for survival, willingly accepted this condition and many of them sent covering checks to the secretary or the local forest supervisor. However, before the issuance of permits, law officers of the Department of Interior decided there was no legal authority for collection of fees and the money paid by the sheepmen was returned.

These migratory shepherds, whose tenure on reserve lands was tenuous or even illegal under existing regulations, provide an outstanding example of the portion of the industry that initiated grazing fees to legitimize their grazing use. With such legal rebuffs in mind, Secretary of Agriculture James Wilson in 1905 appealed to the Attorney General for a ruling on his ability to issue regulations and collect fees for an entirely unrelated issue, that of an Alaska fertilizer plant on Reserve lands (Dana and Fairfax 1980). The Attorney General's opinion stated: "...in my opinion you are authorized to make a reasonable charge in connection with the use and occupation of the forest reserves..." (Dana 1956, p. 145). Just 1 year after the successful lobbying of Pinchot to move the FS from the Interior to his jurisdiction in the Department of Agriculture (1905), Pinchot began to implement a grazing fee.

With the legacy of the FS in controlling the timber barons of the East, we overlook that, where Forest Reserves were set aside in the West, the main users were livestock operators. Early policy and conflict in the FS concerned grazing. From the beginning of the Forest Reserve Act, the Secretary had been limited in issuing regulations by court decisions that found such regulations violated constitutional delegation of legislative power to a bureaucracy. Also, the Congress was openly hostile to any further strengthening of the new FS after such liberal designating of millions of acres of new reserve lands by the Executive Branch. To implement a fee system, Pinchot circumvented Congress and the courts and appealed to the Attorney General for an interpretation of the Forest Reserve Act on his ability to issue regulations specifically on fees. The first grazing-fee regulation followed the Attorney General's opinion in mandating a "reasonable fee" (United States Department of Agriculture, Forest Service 1906):

> **REG.** 51. On and after January 1, 1906, a reasonable fee will be charged for grazing all classes of livestock on forest reserves.... These prices will be gradually advanced when the market conditions, transportation facilities, and demand for reserve range warrant it but the grazing fee charged will in all cases be reasonable and in accordance with the advantages of the locality.

With limited field personnel, vast areas, and resistance of western livestock owners, the new fee system had a rough time getting established. These new fee regulations were audacious in the face of the opposition they received, particularly from the western Congressmen. In 1907, the Public Lands Convention in Denver was attended by delegates and Congressmen throughout the West. This convention was one of the most important ever held in the West (Ise 1920). The convention resulted in an attempt to repeal or reduce the stature of the Forest Reserve System. Resistance to the new fee and permit system precipitated not only legislative action but also important court battles that served to legitimize Pinchot's position (United States Supreme Court 1911a, 1911b). Both lawsuits were grass-root strikes at permits and fees stemming from the segments of the industry that were most secure in their "right" to graze public lands. As an example, in 1907 in Rifle, Colorado, members of the Garfield County and Grand River Stock Growers Association entered into a strike protesting permits and fees (Goff and McCaffee 4967):

> We, the undersigned, each and all of us hereby agree not to have applied for a permit, we shall refuse to accept the same; and we further agree that any expense incurred by reason of the arrest or prosecution of any signer of this agreement, for the defense of the same, shall be born [sic] by all of us, pro rata according to number of stock owned, to be collected by the secretary of association in whose locality the signer may reside or run his cattle.

The president of the cattle owners, Fred Light, who had homesteaded some 20 years before the establishment of Reserves, refused to gay for trespass on unfenced Reserve Range. Both the Light and Grimaud cases were legally tried on the grounds of the Secretary's ability to issue rules and regulations, although the livestock owners envisioned a more restricted test of fees and permits. The Supreme Court upheld the Government case on the legality of issuance of such regulations, particularly grazing fees (United States Supreme Court 1911a):

> A regulation by the Secretary of Agriculture, forbidding stock grazing on a forest reservation without securing a permit, must be regarded as within the authority conferred upon him by Congress in the forest reserve acts of June 4, 1887 and February 1, 1905, to make rules and regulations governing occupancy and use, and for the preservation of the forests, although a fee is charged for such permits - especially in view of the provisions in the later of the two statutes and in subsequent acts respecting the disposition of forest reservation revenue.

These cases remain the precedents for fee regulation.

The newly instituted fee, although making some attempt to cover costs of administering forest grazing, was still an extension of the Government's concern for agricultural welfare in the West. The fee was arbitrarily set at "reasonable" in concern for the livestock industry's ability to pay. Further, the only adjustment factors (for example, market conditions and transportation) considered were measures of the industry's well-being. In other words, fee policy was essentially an agricultural policy of pricing public resources, which was certainly within the framework of Pinchot's "Classical Conservationist" view of natural-resource management. Pinchot's first forest manual set forth: "The timber, water, pasture, mineral, and other resources of the forest reserves are for the use of the people. They may be obtained under reasonable conditions without delay. Legitimate improvements and business enterprises will be encouraged" (Pinchot **1947,** p. **263).** These first, general guidelines are a stark contrast to the later natural-resource policy of pricing where agricultural well-being is secondary.

In the next **11** years **(1906** to **1917),** this policy governed fees. These were the "Golden Years" of agriculture and not until **1973** would the beef industry again reach a state where purchasing power, as measured by the parity-rating ratio, would exceed the years **1910** to **1914.** Forest Service fees were steadily increased and adjusted between different localities as the.regulations suggested. Most notable during this period was the method or justification the FS used to increase fees. As Secretary of Agriculture Henry Wallace frames these increases (United States Department of Agriculture **1924,** p. **59):**

> A revision of the grazing fees initiated in **(1916)** and ultimately completed in **1919** increased the charges materially to a point more nearly approaching.the commercial value of the forage after making liberal deductions for the past uncertainty of tenure and cost of compliance with regulations of the Forest Service.

An appraisal of comparable private grazing lands was made by the FS in **1916.** The available literature is sketchy about exact methods of this first fee study, but the important fact is that the study used data as a foundation to justify the first fee increase. Further, the study was at least an attempt at appraisal of comparable private-grazing leases. Throughout the history of fees, this study methodology, and its use in justifying fee increases, is repeated without exception in every successful and abortive pricing cycle. After completing the study and initiating the increases in **1917,** the FS assured permittees with the issuance of new 5-year permits after **1919** that fees would remain static for the duration of the permit (Dana **1956).**

Rachford Study-At the end of World War **I,** Congress was searching for means to retire the war debt. In **1920,** a rider to an agricultural House appropriations bill, which would have required the FS to increase fees some **300** percent, was defeated (Dutton **1953).** On behalf of the livestock industry and because of earlier 5-year commitments, the FS demurred and responded with the Rachford study. The Rachford study was the first in a series of studies that have punctuated fee policy as it has been in transition—at this time, from a fee that represented cost of administration to a fee representing the value of the forage. After studying numerous comparable tracts of private grazing lands thoughout the forest system, Rachford

suggested a fee based on private lease rates, discounted for the nonforage costs. The Rachford study differed from the previous study in that it represented a comprehensive attempt to place FS fees on, as Rachford termed, a "commercial value principle." Rachford's study was a whole new philosophy in setting fees rather than a means of updating fees from an arbitrarily set rate. After 3 years of study (1923), the report recomrnended'a fee 75 percent above that currently charged. The Secretary announced that the new fee would be instituted in 1925.

Casement Review—The livestock industry was violently opposed to fee increases. Deterioration in the postwar economic conditions of agriculture led Congress to allow a remission of fees in 1921 and 1925 (Dana 1956). The pressure caused Secretary of Agriculture Jardine in 1925 to have the FS conduct an impartial review of the Rachford study. The Chief of the Forest Service asked an outside mediator, a former permittee, Kansas livestockman Dan Casement, to conduct the review. At the same time, the Senate Committee on Public Lands and Surveys authorized a committee chaired by Senator R. M. Stanfield of Oregon "to investigate all matters relating to the national forests and the public domain and their administration including grazing lands in the forest reserves and other reservations of lands withdrawn from entry" (Dana 1956, p. 230). The committee held hearings throughout the West, which turned into a forum for livestock owners to air grievances about all public-land management. The hearings, far from being an important fact-finding mission, were a vindictive harassment of national and local Agency personnel. The hearings were scheduled in cities where Agency-industry relations could be exploited to highlight the political profile of the Congressmen (Voight 1976). The result of these hearings was a bill introduced by Senator Stanfield revamping resource management on forests and unreserved lands. The thrust of the legislation was to strengthen the position of the livestock owners concerning (Dana 1956, p. 230): Legal recognition of grazing as a subordinate use; continued regulation of grazing along existing lines; charging of fees that are reasonable in view of all circumstances affecting use of the range; issuance of ten-year permits having a contract status; preference to certain classes of present permittees, with opportunities for the admission of new qualified applicants; and establishment of local grazing boards to cooperate in administering the act and deciding appeals from decisions of forest officers.

Matching attacks on public-land policy by livestock owners were equally harsh indictments from the forestry interests, in particular, the Society of American Foresters. In this era before multiple-use, grazing was at best considered a nuisance on Forest Reserves. Foresters were demanding the exclusion of all grazing on forests. Neither side, foresters nor livestock operators, was prepared to compromise; all sides cancelled, and no secure legislation was obtained for range management on forests. Dana and Fairfax (1980, p. 138) lament that:

> Management of the public rangelands was thus delayed another ten years. Worse still, the setting in which subsequent debate occurred was tragically and irreparably altered by the rift which had been created between the Forest Service and its former supporters in the stock industry.

We can certainly see this period building in many of the histories of cattlemen's associations. From this period in the late **1920's** to the **1960's,** the Colorado Cattlemen's view of the Forest Service was one of bitter animosity and belligerent range management (Goff and McCaffee **1967).** Walt Dutton, the long-time head of the FS range division, confided to Voight **(1976,** p. **110)** that during the years **1911** to **1953** when he was a forester "there was no real progress in stopping range destruction."

The only compromise the livestock industry gained from this confrontation was concessions on fees in the Casement review. In Casement's **(1926)** words:

> My belief that social and economic principles have been and should continue to be applied in the administration of Forest grazing leads me to recommend that precise recognition of these principles be given by a general reduction in the proposed fees....

Besides the proposal that fees should be **25** percent lower than the Rachford study, two other recommendations were made: **(1)** that regional disparities in fees be modified, and **(2)** that after **1930,** fees be related to livestock prices (Dutton **1953).** Before a new policy was implemented, a conference with Secretary of Agriculture, FS, and livestock owners was held in **1927.** The position of the FS in the conference was outlined by Secretary of Agriculture Jardine (DeNio **1962,** p. 82):

> The livestock industry can hardly expect the permanent status in the National Forests which it desires, unless the principle of fair compensation for the value of the forage is recognized and accepted. On any other basis, the industry would be in an indefensible position.... The department stands for a conservative relationship between grazing fees on the National Forests and the grazing value of similar range lands in other ownerships.

The conclusion of the conference was adoption of the Casement recommendations for a fee **25** percent below the Rachford FS proposal. This revised fee was to be phased in over 4 years, with **full** implementation by **1931.**

The compromises made in the Rachford study as the result of the Casement review and the Grazing Fee Conference were political. Even though many political goals were expressions of economic interests, the attacks were launched on political lines and for political reasons. Further, both the Rachford and Casement studies represented the political interests of the livestock industry more than the economic foundations on which to base fee studies. Many economists were becoming concerned with pricing of public resources, specifically range. As an example of the growing criticism of the economic basis on which the Rachford study was conducted, Clawson **(1950,** p. **271)** stated:

> ...it is evident that Rachford misunderstood the price-making forces at work. Rentals of private lands were relatively high because grazing fees on Federal range were low; all that he did was measure the extent of this discrepancy. By excluding the most obvious cases, much of this discrepancy was excluded. If grazing fees had been

> raised to the level of rentals on private land, the latter would in time have fallen, though bringing some hardship with their fall. If it was desired to bring grazing fees and rental of private land to an equality, this point would be at some intermediate position. Whether or not one accepts Rachford's philosophy of fees at a "commercial" level, his methodology for determining this level was faulty.

This criticism has particular significance because Clawson later became Director of the BLM, and under his guidance a similar fee study was conducted. Under Clawson's leadership, a study on the question of fees was still mainly political, yet with greater expression of economic underpinnings.

The last recommendations of the Casement review, that of indexing the static fee with a beef price index, was to be implemented.in 1935. As the depression years started to choke western livestock owners, they appealed for relief from higher fees by advancing the indexing base to 1933. The FS granted the request; as beef .prices plummeted so did fees. This same fee formula.remained in effect until 1968. By linking fee changes with changing beef prices, the fee was only responsive to changing agricultural demand. Thus, no matter what supply and demand considerations (both economic and political) were incorporated into the base rate of the Casement review, over time those factors were mitigated, making the fee solely responsive to agricultural demand. Even though the FS may have intended to obtain what Rachford called "commercial value principle," the fee was in fact a function of agriculture's ability to pay the fee. Grazing fees remained an agricultural policy.

Grazing Service—the Rise and Fall

The Taylor Grazing Act of 1934 set the basis for grazing fees and permit distribution on the heretofore unreserved public lands. As the act worked its way through legislative channels, control of the yet-to-be-created agency was being contested by the Interior and Agriculture Departments. In return for the western livestock and congressional support for disposition of the Grazing Service to the Department of the Interior, Secretary Ickes promised: (1) no Forest Service-like bureaucracy would be established to manage these lands, (2) "reasonableness" in grazing fees would be interpreted as covering the costs of administration, and (3) the cost of administration would be extremely low (Dana and Fairfax 1980). Ickes' promises played to livestock industry fears of a bureaucracy identical to the FS, with whom they had just completed the first fee-pricing battle. Fees for the new Grazing Service in the Department of the Interior were arbitrarily set at 5 cents per AUM (animal unit month) in 1936, which was supposed to be sufficient to cover the cost of the minimal bureaucracy (Clawson 1971).

The Taylor Grazing Act implemented a use for the unreserved lands of the West—that of grazing—hence the name, Grazing Service. The Forest Service Reserve Act had legislated a similar single use (timber) on reserve lands. Even with timber supposed to be the overriding use of FS lands, the livestock industry strongly influenced policy. Thus, the influence of livestock interests was to be amplified in forming policy on BLM lands, with few countervailing power groups such as foresters. Despite the precedent pioneered by FS grazing-fee policy, BLM policy was destined to repeat identical steps in forming grazing policy.

Just as the Grazing Service was settling into the Interior Department, Secretary Ickes was pressuring newly appointed Director Farrington Carpenter (a Colorado cattleman and lawyer) to expand the range-conservation program of the Grazing Service. Ickes, the purveyor of "New Deal" policies, emphasized the preamble of the Taylor Grazing Act "to stop injury to the public grazing lands." In opposition, Carpenter viewed his responsibility with the Grazing Service as an interim manager, pending final disposal of the public domain (Voight 1976). Ickes himself was setting the stage for the ultimate demise of the Grazing Service—fees were to cover administration, yet pressures built for an increasing bureaucracy.

Exactly as with the initial fee on the Forest Reserves, these first charges for Grazing Service lands were seen by some stockowners as a means of validating their use of contested ranges. As Carpenter (1984, p. 5) put this argument to stockowners:

> Boys, the Congress has let you have it as long as you could for nothing and now they've got a collar and you've got to stick your head through it. If you don't stick your head through it, another fellow will stick his head through it and we'll please him and let him have the range.

As with the FS, the constitutionality of the Taylor Grazing Act was to be tested by the BLM in regard to delegation of powers for administration. The case was brought to United States District Court of Oregon by two Oregon sheepowners. The Government case was upheld, and the court found: "The provision of the act authorizing the Secretary of the Interior to establish grazing districts and make such rules and regulations as shall be necessary to accomplish the purpose of the law, does not constitute a delegation of legislative power but creates administrative duties" (Foss 1960, p. 83). A further lawsuit contested the ability of the Grazing Service to levy a fee that did not vary with locality or differing qualities of forage. Nevada stockowners obtained an injunction against the Regional Grazier (Brooks) in Nevada District Court for charging fees. The Nevada Supreme Court sustained the lower court "that a uniform fee violated the Taylor Grazing Act which provided for the payment annually of reasonable fees in each case" (Foss 1960). The case was reversed in the United States Supreme Court in 1941 (Dewar vs. Brooks). These lawsuits reaffirmed the right of the Secretary to administer a uniform grazing fee, as the Light and Grimaud suits did 30 years earlier with the Forest Service.

Saunderson-Leech Study--While the Grazing Service was awaiting the decision of the Supreme Court on uniform fees, a study was begun to estimate a variable fee for each of the Western States. The Saunderson-Leech study (M. H. Saunderson, a FS economist, and J. J. Leech of the Grazing Service) made an appraisal of range-grazing leases. The values arrived at in June 1941 for each State were two to three times the then current charge of 5 cents per AUM (Foss 1960). The study was intended to place fees on an economic basis rather than on an arbitrary figure. Further, the study recommended a fee indexed by beef and mutton prices. In one swoop, the Saunderson-Leech study attempted to accomplish what the earlier FS Rachford study had taken 14 years to institute into policy, without requisite amelioration from all parties of the triad.

Just a month before completion of the Saunderson-Leech study, Senator Patrick McCarren of Nevada succeeded in passing Senate Resolution **241,** which authorized an investigation of the Grazing Service. The investigation lasted 6 years, **1941** to **1947,** and originally focused on the issues of permit distribution and grazing reductions (Voight **1976).** As pressures to formulate a new grazing-fee policy mounted, the investigation shifted to hearings conducted solely about fees. The first entrance into fee policy was McCarren's **(1946,** p. **13)** rejection of the Saunderson-Leech study:

> The findings of the Range Appraisal study were subject to critical analysis by the livestock men in several hearings before my subcommittee in **1941.** These analyses disclosed that the results of the study furnished little or no support to the recommendation for increasing the fees.... In the report of that study it was announced that the most important finding was what the report called the "startling data as to the commercial lease costs of an animal unit month" of feed. The finding was only startling because it was not a fair or honest comparison in any sense of the term. It was an attempt to compare dissimilar things.

Following McCarren's recommendation, the Grazing Service (National Advisory Board Council (NABC) **1961)** unanimously vetoed implementing the Saunderson-Leech recommendations. The Grazing Service did not implement the fee. With direction provided by the livestock industry, the McCarren subcommittee was to dominate grazing policy until it disbanded in **1947.** The tenor and approach to public-land policy were similar to the Stanfield hearings 20 years earlier (Clawson **1971).** The purpose was political visibility in the West for McCarren and other western Congressmen through the creation of acrimony toward the bureaucracies.

Although World War II placed a moratorium on fees, it became increasingly apparent that fees were not covering the cost of administration as Secretary Harold Ickes had intended. In **1944,** before the war ended, the newly appointed Grazing Service Director, Clarence Forsling, revived the Saunderson-Leech recommendations, departing from a fee tied to cost of administration. Forsling was attempting to place fees on the same basis as those in the FS from which he had transferred. Forsling, citing improved livestock prices during the war and the disparity in rates between private and public grazing, insisted on a 300-percent fee increase. The NABC was unanimously opposed and brought their protests to Senator McCarren (McCarren **1946).** Senator McCarren's committee again held hearings throughout the West. In his summary testimony before the Senate, McCarren countered Forsling's arguments that even though prices had risen, higher production costs had deteriorated ranch profits. Also, the Senator again attacked the Saunderson-Leech conclusions as a "dishonest portrayal...deliberately designed by Grazing Service officials to bring from Congress a demand that fees be increased" (McCarren **1946,** p. **26).** In McCarren's view, the present fee not only was fair to western livestock owners but also was necessary to restrict ambitious Government expansion.

The Grazing Service was being pressured from both sides by a House Appropriations Committee determined to hold the Service to its promise to raise fees or to live within its revenue and by an opposite Senate attack against fee increases. The livestock industry position was "(1) no increase without an 'independent' study made by industry, (2) no increase without specific approval by the NABC, and (3) Congress must enact a law declaring fees should not exceed the actual costs of administration of the grazing lands" (Voight 1976, p. 288). The Grazing Service found itself exactly as the FS had 25 years earlier when a similar House appropriations bill moved to increase fees. Without the counterpolitical pressure that had neutralized Senator Stanfield's FS reorganization attempts, disposition of the Grazing Service was certain to represent livestock and congressional members of the triad. The resulting appropriations bill cut Grazing Service funding 50 percent and in several months the Service was absorbed into the BLM for lack of funding (Foss 1960). As the Grazing Service was dissolved, Forsling left the Service and fees remained at the rate set 10 years earlier.

Forest Service and Bureau of Land Management—1947 to 1966

Infected with the success western Congressmen and livestock interests had achieved with the dissolution of the Grazing Service, efforts were turned to reorganization of the FS. In 1947, Representative Frank Barrett of Wyoming was authorized by the House to investigate range programs of the FS. Hearings were again held in the West. In the absence of discontent about grazing fees, these hearings produced reserved support of the FS rather than the vilification characteristic of earlier hearings. Without the impetus of the grazing-fee issue, subsequent legislative efforts to reorganize the FS failed. The resulting legislation 3 years later (Granger-Thye Act of 1950 (64 Stat. 82, 16 U.S.C. 490-581)) simply mandated into law existing FS policies of advisory boards and 10-year grazing permits.

In an effort to break the impasse on BLM fees, Secretary Ickes' replacement, J. A. Krug, appointed a California livestockman, Rex Nicholson, to recommend fee rates. Nicholson, after extensive consultation with the NABC and district BLM advisory boards, recommended fees based on the existing cost of administration. Saunderson-Leech recommendations of fees that reflected forage value as proposed by Forsling were abandoned. With advice from the USDA Bureau of Agricultural Economics, 70 percent of the cost of range administration was charged to range management, and fees were to be raised to cover this cost (Foss 1960). Better range conditions were needed to correct past abuses without cutting stock numbers. Better range could not be provided without more intensive management, which meant more range administration. The Nicholson plan had no provision to index fees with increasing administration costs, so fee increases were destined to be perennially behind costs.

Yet another inadequate fee increase in 1951 prompted BLM Director Clawson to initiate a study of comparable private-lease rates, similar to the Saunderson-Leech appraisal 10 years earlier. The Clawson report made recommendations similar to the Saunderson-Leech and Rachford reports. Fees should be comparable to private leases and then indexed to fluctuating livestock prices. The study was conducted in-house with a fairly intensive sample of appraisals and under the watchful eye of economist Clawson. Clawson was careful to avoid the pitfalls of comparability

between private and public leases that prompted the Casement review or the rejection of Saunderson-Leech. The study was completed as Clawson was leaving the directorship of the BLM.

In **1954,** armed with the evidence of the Clawson study as well as with the lagging revenues of the Nicholson plan, new BLM Director Edward Woozley approached the NABC for a fee increase. The NABC realized their untenable position and compromised on a fee based on the average price of cattle and sheep in the **11** Western States. Although this proposal represented a clear departure from the administrative-cost formula, by equating fees with the per-pound price of livestock, the proposal made agricultural well-being the base for future fee structures rather than the value of the forage. Despite this fee formula's being a proposal of the NABC, the National Woolgrowers attempted to stall the fee-policy change so that its legality could be studied. The woolgrowers failed to get cattlemen associations' support for further study, and the lawsuit was dismissed. This "100-percent" livestock price formula set fees until **1963.** Director Woozley allowed a 2-year postponement of increases because of a drought, and in **1958** the formula became effective. Only a fee proposal originating from the livestock industry was going to force permanent abandonment of the cost-of-administration concept. This era of fee policy had not been marked by congressional hearings. Barring an attempted lawsuit, little unrest appeared among stockowners because increases in fees were recognized as necessary for adequate management, and proposals were forthcoming to rectify the situation.

Outside Influence—Bureau of the Budget—From President Truman's inauspicious budget remarks in **1949** began an entirely new era in fee policy. Up to this time, fees had been set by the trio of congressional committees dominated by western Congressmen and by the Agencies (FS and BLM) staffed by personnel who were principally Westerners and the western livestock user groups. Changes in fees, compromises on policy, and administration of fees were kept within this triangle. Outside input was easy to discourage because these groups were setting policy for the forgotten resource. In addition, the revenue from fees was dwarfed by other FS and BLM revenues like oil and timber. Consequently, the amount of money to fight over or to be compromised is minuscule compared with the political support garnered by western Congressmen.

Until the early **1950's,** the nonlivestock industry groups concerned with fee policy were limited to a handful of Congressmen; in particular, those on appropriations committees and a small group of other resource users (for example, foresters) that served as watchdogs of conservation. These groups made incursions into fee policy, but they were usually limited to accusations of subsidies as new fee or appropriations legislation was considered. The Bureau of the Budget (BOB) in **1957** directed the Agencies to:

> ...prepare legislative proposals for removing all present limitations or restrictions on the agency's authority to (a) recover full costs for Government services which provide a special benefit, and (b) obtain a fair market value for Government owned resources or properties sold or leased.

An attachment to the bulletin specifically criticized the disparity of charges between Government and private rates. In a further followup, the Bureau of the Budget (1959) stated:

> ...where federally owned resources or property are leased or sold, a fair market value should be obtained. Charges are to be determined by the application of sound business principles, and so far as practicable and feasible in accordance with comparable commercial rates. Charges need not be limited to the recovery of costs; they may produce net revenue to the Government.

Allowing production of revenue revolutionizes all previous fee policy of simply defraying costs of administration. Grazing had been singled out from the goods and sewices the Government produces to blaze the path in pricing policy at fair market value.

As A25 (Bureau of the Budget 1959) regulation requested, BOB met with the FS and the BLM in 1958 and 1959 to prepare legislation establishing a new method for formulating fees. The FS and BLM had little reason to become embroiled in yet another fee controversy. Now that fees were not tied to administration, the Agencies had nothing to gain by pressuring for new increases. Moreover, relations between the FS and the livestock industry were just beginning to mend and massive range improvements, grazing systems, and cooperative programs were being undertaken with stockowners. All resource users were becoming more amenable to a concept of multiple use of public rangeland. Certainly the Agencies did not want to open a round of congressional hearings and lawsuits that would undo or set back constructive resource management. Even though new legislation was not enacted, BOB policy forced BLM and FS to develop this first unified fee policy—which is not to say that fees were equal between the Agencies but that policy would henceforth affect the fee rates of both, and eventually the rates would converge.

A last unilateral fee initiative was made by the BLM in 1961. The pressure of the emerging fair-market-value fee policy of BOB was particularly intense on BLM because, even after implementing the "100-percent" formula, the BLM fee remained half the FS fee. Even though the meetings with BOB in 1958 and 1959 did not produce an immediate fee increase, the BLM and **FS** were pressured into conducting more fee studies. Rather than a single in-house appraisal study, the most extensive series of grazing-fee research ever conducted was begun. These studies focused on a rancher's ability to cover fee increases (Caton and others 1965) and on alternative methods of estimating the fair market value of fees, such as discounting permit values (Gardner 1962, Roberts and Topham 1965).

Along with the studies, seeking a catchup fee increase, BLM approached the NABC. In its 1961 meeting, the National Advisory Board Council recommended (p. 37):

> ...that the present formula for arriving at grazing fees be retained so that at all times the cost of administration of grazing may be related to the trend in prices of livestock. If there is a justifiable reason for a higher fee, that is to be arrived at each year by adding a percent thereto, over and above the current formula.

The NABC was giving the BLM latitude to add points to the "100-percent formula." When fee rates declined again in **1962,** the BLM sought a definite increase. After a delay to review some of the newly completed studies and to consult with district BLM boards, the NABC approved a fee increase as long as the present formula was retained and an increase did not exceed **50** percent. As a sweetener to the livestock industry, any increase in fee revenues was earmarked for range improvement. The resolution did not pass unanimously. Nevada stockowners on the Council resisted any increase. By **1962,** the NABC was not strictly composed of livestock interests; oil, forestry, wildlife, and so forth, all had representatives on the Council. The dilution of livestock interests certainly facilitated the passing of any fee increase.

With some fee increase inevitable, the Nevada livestock dissent was taken to Senator Alan Bible of Nevada. Bible, who chaired the Senate Subcommittee on Public Lands, responded by conducting hearings in Nevada and Washington, DC, to review the Taylor Grazing Act. These hearings had the same goal but not the vindictive tone of earlier McCarren and Stanfield hearings. In keeping with past fee hearings, testimony branched out beyond fees to grazing cuts and permit tenure. When the hearings shifted to Washington, back home in the Nevada State Legislature a resolution was unanimously passed, asking the Nevada congressional delegation to oppose any fee increase. As the hearings were still in progress, Secretary Stewart Udall took advantage of the NABC approval and implemented the full 150-percent increase effective for the **1963** grazing season. Without sweeping dissatisfaction from the entire western livestock industry, further hearings never materialized. At the start, the Bible hearings had the potential for shattering the BLM as the McCarren hearings did the Grazing Service. Missing was the catalyst of grazing fees; thus, the effect was more a reminder to the bureaucracy of the volatility of fee policy.

Up to this point, fees for both BLM and FS were an instrument of agricultural policy. The fee was set by livestock prices, which by default makes agricultural demand the determinant of fees. The arguments mustered both in support of and opposition to fee changes have universally dealt with the welfare of the western livestock industry or cost of administration. Only the various economic studies ventured to suggest that fees should equal the value of the forage. The undiluted conclusions of all the studies—Rachford, Saunderson-Leech, Clawson—were rejected. Study efforts at efficiency pricing were replaced by the political process of equity income distribution. With sweeping powers over Government charge rates, BOB initiated the concept of fair market value for forage.

Presidential Intervention--In **1962** in a special congressional message on natural resources, President John Kennedy made an unprecedented use of grazing fees as an example of natural-resource prices, saying "...we plan to establish a realistic schedule of fees and charges for use of Federal rangelands to replace the peculiar patchwork schedule now in effect." In **1966,** President Lyndon Johnson reiterated that policy, saying that appropriate charges for Government services should be assessed when such benefits accrue to specific businesses or individuals (Zwick **1966).** Grazing fees had been singled from the multitude of Government-provided goods and services to serve as the beacon of presidential attempts to reduce

natural-resource subsidies. The full explicit weight of the President behind a program that at fair market value could only produce a few million dollars more revenue remains a precedent for any natural-resource pricing policy. Further, grazing was segregated from other public-land uses as one that is "commercial," targeted for fees at fair market value. By consistently placing fees in the context of natural-resource policy, the removal of connotations of the agricultural aspects of fee policy for the previous 50 years was attempted. The direct presidential concern for fair market value forced the triad of Congress, Agency, and permittee to deal with BOB. To effectively allay the president-backed power of BOB, the triad had either to comply explicitly with BOB methods to estimate fees or to circumvent BOB under the guise of fair market value.

In summary, the historical perspective outlined the political steps to develop fee policy for both the FS and BLM. These steps were: **(1)** a nominal fee, (2) a lawsuit testing the legality of fees, **(3)** fees set to cover the cost of administration, (4) Agency studies initiated to shift the basis on which fees were determined, (5) study results reviewed by the livestock industry and recommendations given, and **(6)** final fee less than the studies recommended and indexed to livestock prices. The FS pioneered these steps, and the BLM retraced them 20 years later. Penalty for circumventing the triad validation of these steps is shown dramatically in the demise of the Grazing Service.

Current Fee Policy

Houseman Report (1966 Study)

The final phase of this historical analysis is actually the basis for the present fee structure. Early in the 1960's, the Agencies began funding Land Grant University pilot studies to determine the best method for estimating the fair market value of Federal forage (for a review, see Bartlett **1983).** In **1966,** the Agencies made the most comprehensive survey of comparable lease rates to date. The next year, the FS and BLM made preliminary analyses of the data and conferred with representatives of the livestock industry on fee changes. In **1968,** the Bureau of the Budget (BOB) directed the formation of an interagency task force on fees. The task force made further statistical analyses of the **1966** data (Houseman report) and observed these major trends: (1) the data did not support any disparity between BLM and FS fees, nor were any differences between sheep and cattle or regional variations apparent; and (2) seasonal, ranching area, and allotment differences were noted. Seasonal and allotment differences were ignored, and a single fee was recommended. This fee represented the comparable private-lease rate, discounted for the estimated additional costs of grazing on public range.

In January **1969,** BOB announced the implementation of the new fee schedule. The base rate of **$1.23** per AUM was 220 percent and **375** percent higher than the respective current fees for FS and BLM. The fee schedule was to be implemented over a 10-year period to allow the industry to adjust gradually. Further, this fee was to escalate with an index based on changes in private-forage value, an obviously radical departure from previous policy, by charging fair market value and escalating the fee with a forage index rather than livestock prices. Congressional hearings were held later that year, and the protests of permittees were not unexpected. On completion of the hearings, the subcommittees were sufficiently skeptical of this new BOB fee schedule to pass a resolution requiring that a review be completed by the Departments of the Interior and Agriculture to "include consideration of whether the public

interest and equity, as well as the purpose and intent of the Congress as expressed in the Acts cited above, are reflected in the criteria and methods which were used in the setting of said fee schedule" (United States Senate **1969).** Secretary Walter Hickel's reply reinforced congressional skepticism, "...the questions raised before the committee, considered in connection with the language and legislative history of the Taylor Grazing Act, **cast** doubt upon the propriety of the **1969** fee schedule. They may have not taken into account consideration of the full purpose and intent of Congress**...."** (National Wool Grower **1969,** p. 24). This episode of fee policy typifies the workings of the triad of industry, Agency, and Congress in dealing with an outside force, BOB. None of the three parties desired the full weight of the BOB fee schedule to be placed immediately into effect, yet all three conceded to a fee increase. The course of action was a series of delays as the ever-increasing inflation of the **1960's** and **1970's** eroded the real price to be charged. Because neither graziers nor Congress had substantial rebuttal to the Agencies' estimate of a fair market value base-rate fee, the focus of the arguments turned to a compromise index.

The Agencies' position on the **1966** study was as Nelson **(1984,** p. **53)** observed:

> The public land agencies did not oppose this application of economics because it did not infringe on any of their key decision making responsibilities. Range science itself does not offer any theory of the proper grazing fee. The agencies correctly saw higher fees as a step towards assertion of greater agency managerial control.

Again, grazing fees were a manifestation of the Agencies' desire for more secure control of Agency responsibilities.

A new argument appeared in these congressional hearings in addition to the traditional ones of unfair comparisons between public- and private-lease rates, ranch welfare, and stabilization of livestock production. The newcomer, born out of the university studies, was the concept of permit value as it relates to grazing costs. Previously, the livestock industry denied that such a value was accruing to the permit. The FS in the McCarren hearings had used this increase in permit wealth as an argument that forage was indeed undervalued. In his hearings summary, Senator McCarren **(1946)** had denied that any such "bonus" was developing, except under "special considerations." The industry performed an about-face to where its primary concern was not increased fees per se but the deterioration of permit wealth (Lorang **1969).** Lawsuits concurrent with congressional fee hearings were bringing livestock owners' grievances over permit-value exclusion to the lower district courts (Pankey vs. Hardin and Pankey vs. Hickel) (Federal Reporter **1970).** The arguments of permittees were summarized as, "whether Federal administrative agencies which have a measure of rate control may set fees which have a built-in element that will destroy a recognized property value; and whether, despite this effect, they are immunized from effective judicial review and remedial action" (American Beef Producer **1969).** In **1970,** the courts found in favor of the Secretaries. The courts held that the Secretaries acted within their delegated authorities in establishing a graduated fee schedule. Relief was to be found only through legislative or executive channels (Federal Reporter **1970).**

Public Land Law Review Commission

The Public Land Law Review Commission (PLLRC) that was to complete a review of grazing issues provided the first reason for a moratorium on the scheduled fee increases advocated by the Office of Management and Budget (OMB; before 1970 the BOB). Congress established the PLLRC to review 33 topics related to public lands. The Commission represented a broad-based interest in public lands, and its recommendations continue to influence congressional public-land policy. In 1970, PLLRC completed the topics of user fees and charges for public lands and range resources. The Commission's specific recommendations concerning grazing fees were that fair market value be charged, "taking into consideration factors in each area of the lands involved." Concerning permit value, the Commission recommended Government compensation if grazing is terminated before the end of the term permit. Thus, the permit was recognized and given a short-term value. Since 1970, the scheduled fee increases had been placed in moratorium four times, allowing only 4 of the 10 incremental increases that were supposed to bring fees to fair market value by 1980.

Facing yet another year of fee increases under the BOB 1969 fee formula, stockowners sought legislative relief and further strengthening of permit rights as recommended by the PLLRC. In 1972, Senate hearings were held on S2028, "A Bill Relating to the Administration of Grazing Districts." The sponsors of this bill read like a roster of western Senators. Each Senator was anxious to display to his constituency his ability to obtain legislation incorporating the recommendations of the PLLRC and the wishes of western agriculture. As one Nevada newspaper quoted Senator Bible (United States Senate 1972, p. 120),

> This measure is a refinement of suggestions we received during previous hearings and incorporates many of the principles advocated in the Public Land Law Review report.... I hope we can have a broad cross-section of the public—consumers, ranchers, conservationists—to testify on this legislation.

The bill was intended to replace the BOB formula with both a new base and index. The proposed fee base would take the BOB 1966 fee base and subtract from that an annual opportunity cost on the permit value. The new base would be 50 cents per AUM instead of $1.23. This change in base would have raised BLM fees slightly but lowered the current FS fee. The proposed index was a return to indexing based on annual changes in beef and lamb prices instead of the BOB procedure based on change in private-forage values. As a last point, the proposed fee was to be variable. Charging a variable fee as the quality of forage changed is indicated by the carrying capacity of a particular allotment. The bill went beyond the recommendations of the PLLRC in suggesting further security for the permit rights of the rancher. The bill guaranteed the present permittee virtually unlimited security without actual deed and compensation in the event of revocation of the permit.

The argument of permit right had blossomed, and on this issue the passage of the bill hinged. The Agencies—FS, BLM, and OMB—opposed every facet of the bill. Yet, the Agencies were not uncompromising about fees when partial control of the public resources was at issue. Fee revenues were secondary to security. As Chief of the Forest Service, Ed Cliff stated in Senate testimony, "I think my most serious objection to this bill is not the low fee that was established, although I think that is a defect. My most serious objection is that it moves strongly in the direction of giving private individuals property rights in public property, which belongs to the entire people and which needs to be managed for other things" (United States Senate 1972, p. 64).

Clearly, the bill embodied the fee policy of livestock. By resolving the underlying issue of permit value, Congress was mandating a final solution to fee policy, with no equivocation. The issues raised by the PLLRC that had been nagging since the ambiguous "reasonable" fee of the Taylor Grazing Act were to be resolved. Congress could just as easily have written a bill that destroyed the permit right altogether and thus legislated an end to grazing fee struggles. Either enabling the permit to assume almost full property right or decimating all rights had the same remote possibilities of passage. The pricing policy process—studies, hearings, outside references, and so on—would be circumvented. The compromises that formulate fee policy were precluded and, as with the demise of the Grazing Service fee era, no triad of support could be formed. The bill failed.

Federal Land Policy and Management Act (1976)

The failure of S. 2028 left a legislative void in fee policy not to be answered by Congress until passage of The Federal Land Policy and Management Act (FLPMA) of 1976 (90 Stat. 2743; **43** U.S.C. 1701-1781). This act opens with the policy statement that "the United States receive fair market value of the use of the public lands and their resources unless otherwise provided for by Statute." Further, grazing fees are specifically addressed. The Secretaries of the Interior and Agriculture were charged with conducting a study to "determine the value of grazing." In the study, Congress directed the Secretaries to consider the same issues as the first regulation on fees, that is: (1) "cost of production normally associated with domestic livestock grazing," (2) "differences in forage values," and (3) an all inclusive category of "other factors as they relate to the reasonableness of such fees." The Secretaries were instructed to submit the study with their recommendation for grazing fees 1 year after FLPMA was enacted. Congress was setting in motion the fee-policy cycle.

The Secretaries—or more accurately, their Agencies—interpreted the broad congressional criteria in FLPMA in the following six objectives (Bergland and Andrus 1977):

1. Collect fair market value.
2. Be equitable (fair) in its treatment of interested groups and individuals.
3. Prevent future discrepancies between fees and fair market value.
4. Provide a fee system common to both FS and BLM.
5. Provide a fee system that is administratively feasible.
6. Use available data series for updating fees.

Based on those guidelines, the Bergland and Andrus (1977) study recommended that fees should be set by a "1969-modified" formula, whereby the fee equals the 1969 base rate of $1.23 per AUM times the forage-value index (FVI). The modification in the fee was that the rate of increase in fee was limited to 25 percent of the previous year's fee. Escalating the fee by the FVI makes the rate charged responsive to supply and demand factors, which include the FLPMA's first criterion of including costs of production because such costs are a factor of demand. The FLPMA remains vague about whether permit value constitutes a cost of production; and by setting the base at $1.23 per AUM, the Secretaries' fee formula excludes permit cost.

Of the six objectives, the bureaucracies would overwhelmingly prefer security in a fee system. Objectives 3 to 6 reflect a price system with the aim of administrative ease and security—distancing the bureaucracy from the exacting and constant decision-making that characterizes pricing in a competitive economy. Thus, the Secretaries recommended a single equal-rate fee for BLM and FS. The single fee flouts the specific recommendations of FLPMA, which mandate an accounting for differences in forage quality. Administrative preference for a single fee has outweighed the Agencies' acknowledged fairness of variable pricing. As Senator Frank Church questioned FS Chief Cliff in 1972, "In other words, variable fees present an administrative problem in how to make a fair determination of what it might be in any given case, but in principle it is right, as far as you are concerned, that fees ought to have some relationship to the quality of the grazing land, is that your position?" Mr. Cliff: "Yes." (United States Senate 1972, p. 59).

Certainly, a tradeoff exists between equity and efficiency, but the study was deficient in examining such an exchange. The Secretaries have been explicitly charged to consider equity in every major piece of fee legislation; for example, FLPMA and the Barrett amendment to the Taylor Grazing Act. Even though equity has been mentioned in the objectives, subsequent Agency conclusions reject any equity considerations in fees. The 1977 study was no exception, "The Government position is that the fee is not an appropriate subsidy or income support instrument. Therefore, the Government should charge the full value that grazing is worth in the market, leaving attempts to support and stabilize agricultural income to those programs having such purpose as their primary objective" (Bergland and Andrus 1977).

The Secretaries' report solicited and compiled public responses that were mainly from the livestock industry (80 percent). The responses disapproved any fee formula or fee increase, but overwhelmingly advocated permit value and variable fees (80 percent). The uncompromising stance on fee increases is not surprising. The opinion of the industry has completely reversed, however, since the 1963 Bible hearings when a poll of permittees rejected (72 percent) variable fees (United States Senate 1963).

As FLPMA stated, the fee rate of the Secretaries would be implemented "unless otherwise provided for by statute." The political groping toward a price was not yet complete. The fee compromises of all groups, in particular livestock owners, had been successfully incorporated into the 1969 BOB fee system. In 1977, displeased with the Secretaries' restatement of the 1969 BOB fee, the livestock industry began to pressure western Congressmen for a statutory fee rate. As President Jimmy Carter signed a moratorium to allow Congress time to complete the legislation, he stated, "I expect that Congress and its committees will honor the principle of a fair return from the use of natural resources by commercial interests. I remain opposed to legislation which does not provide a fair return to the United States for the use of public resources. I believe it is unfair to provide a special subsidy at the public expense to those 5% of all livestock operators who use public lands..." (Carter 1978). The position of the Executive Branch was locked into the Secretaries' fee proposal.

Public Rangelands Improvement Act (1978)

The fee controversy remained focused on a method for indexing fees rather than a modification of the base rate. Livestock organizations proposed several fee systems that reflected agricuttural demand. At the extreme was a base that included a discount for permit value indexed only by livestock prices (similar to the failed fee formula in S. 2028 of 1972). Congress chose a compromise between the Secretaries' proposal and livestock owners' favored systems. In 1976, the Senate Subcommittee on Environment and Land Resources requested that a technical committee of various Agencies within the Departments of the Interior and Agriculture present a proposal to modify the 1969 fee formula based on fair market value (Federal Register 1977), which was an informal report made before the Secretaries' mandated study. Congress incorporated this formula verbatim into the Public Rangelands Improvement Act (PRIA) of 1978. Section 6 of PRIA states that the FS and BLM "shall charge the fee for domestic livestock grazing on the public rangelands which Congress finds represents the economic value of the use of the land to the user, and under which Congress finds fair market value for public grazing equals...." The Technical Committee's formula shows the compromise in the index: Grazing fee = 1.23 x FVI + (BCI - PPI)/100, where BCI is the beef-cattle index, PPI is the prices-paid index, FVI is the forage-value index, and $1.23 per AUM is the base rate from the 1966 study. Congress further stated that the annual increase in fees could not exceed 25 percent of the previous year's fee. Thus, the fee system is a compromise of the livestock owners' and Secretaries' proposals, combining both into one formula.

Despite the compromise fee, the language of the act was bitterly contested. The Executive Branch supported the Secretaries' proposal. As they testified at Senate hearings, environmental groups were indignant about a fee system they considered a subsidy (Dana and Fairfax 1980). The general spirit of the environmental pressure outside the triad, however, was one of willingness to make concessions on fees in return for concessions such as provisions for wild horses. Permittees saw their initial proposals as untenable and enthusiastically supported the Technical Committee fee. This support guided the legislation through Congress.

Fee policy is clearly past the era when the triad of Congress-Agency-permittee operated in a vacuum. Pressures from outside—OMB with the concept of fair market value and environmental groups with ecological issues—force the triad to abandon strictly agricultural welfare arguments that previously dominated fee policy. A compromise between efficiency and equity pricing thus had to be continued under the shibboleth of fair market value. For this reason, the careful wording of the Rangeland Improvement Act states that "Congress finds fair market value" equal to the compromise fee formula they have specified. In fact, Congress prefaces PRIA with the intent (Public Law 95-514):

> ...Charge a fee for public grazing use which is equitable and reflects the concerns addressed in paragraph (a)(5)...to prevent economic disruption and harm to the western livestock industry, it is in the public interest to charge a fee for livestock grazing permits and leases on the public lands which is based on a formula reflecting annual changes in the costs of production....

Every group seems to agree with the lofty language of equity pricing, but when equity price actually manifests itself in legislation the cry is "subsidy."

The fee formula in PRIA appears to be solely a compromise between OMB's pressure on Congress and the permittees; however, omissions from the formula are as important as inclusions. Not contained in the formula is, as FLPMA stated, a provision for "differences in forage values." This omission is the direct result of Agency input.

This is not the final chapter on fees. Of the members of the triad, only Congress with its ability to pass binding legislation has the power to discontinue political pricing and end the grazing-fee pricing cycle. Congress, in attempting to legislate compromise between all parties, avoids permanence in fees. The Public Rangelands Improvement Act was no exception—the PRIA fee formula was mandated to expire in 1985. The cycle continues.

Summary

By providing highlights of fee-policy history in the context of the framers of that policy, we gain an insight into the present pricing policy. More important, if the cliche of "history repeats itself" holds, we face another fee cycle in the future. Although in each era the steps do not necessarily fall in consistent chronological order, all stages of the political-pricing mechanism seem to be present, with few exceptions. The stages will be (1) study, (2) fee implemented or proposed, (3) lawsuit, (4) congressional hearings, and finally, (5) a compromise fee. The 1985 fee studies and the congressional hearings have already been completed. The whole spectrum of a "review of the Taylor Grazing Act," like the congressional hearings (Bible or McCarren hearings) that resulted in a reorganized Grazing Service, becomes a possibility. The list of lawsuits by livestock interests seems to have exhausted all grazing-fee topics; however, livestock owners are free to enter the courts again with another lawsuit. Also entirely possible could be outside review if an impasse is reached in policy formulation. The outcome of such a review may be a favorable fee from the permittees' perspective.

The timetable for this process is amazingly uniform, with the exception of the Udall 150-percent increase (which may have been simply an extension of the 100-percent formula); each era in a particular fee-policy formulation spanned some **8** to **14** years before the actual fee rate really took effect. Usually, the ***8-*** to 14-year cycle begins again the next year. For this reason alone, we have some assurance that the political pricing policy will be repeated.

Prices serve a society first as a signal. The price signals to producers what to manufacture and how much to provide. For the consumer, prices are the information by which all available goods and services can be evaluated. Given the political pricing process for grazing, the supply of grass is not responsive to price. The permittee, however, adjusts use and livestock production to each rate of fees charged.

The second function of price is distribution of goods and services in society. The price of a good determines who can purchase it and how much each person can purchase. Faced with full information on prices and with an inability to substantially influence prices, producers and consumers will individually decide production and consumption in their own interest. Each group thereby adjusts quantities, which simultaneously sets the prices. At each equilibrium price, efficiency in production and consumption occurs. Efficiency is defined as production and consumption at the level at which additional benefits equal additional costs and consumer prices and producer prices are equal. By default, welfare falls on the collective action of society, often in the form of Government intervention. If the Government chooses to use price as a means of redistributing income, a wedge is driven between the price signal to the producer and the consumer. Production and consumption now respond to different prices, and inefficiency in the economy results. This political or social price-setting mechanism that we have discussed by no means sets grazing charges at rates equal to a competitive economy. As with competitive pricing, all parties are striving to do the best for themselves, but the motives of tenure for permittee, security for the Agency, and political visibility for Congress produce far different results than the individual avarice of the competitive market. More important, the market represents exactly each minute desire expressed in demand. The political market represents only the triad; the more dispersed interests of society have little voice.

For publicly owned resources, three opposite pricing strategies are available: (1) efficiency or fair market value pricing, (2) monopoly pricing, and (3) equity pricing. The Government could maximize fee revenues by monopoly pricing in many ranching areas of the West where Federal lands dominate. Conversely, prices could be set at declining rates, thereby deteriorating fees, increasing permit wealth, and providing income transfer to ranchers and beef consumers. The third strategy either mimics the competitive market or hands the pricing mechanism to a market. The Government has rejected the extraction of economic rent through monopoly pricing. Thus, it must decide between equity and efficiency.

The description of political vs. market-pricing mechanism does not say one is preferable to the other on purely economic grounds. The choice of either mechanism must be made on society's preference of equity over efficiency. The only definitive statement we can make is that, given any disruption of either pricing system, the political 8- to 14-year adjustment time is certainly longer than the market-system equilibrium. Thus, the flexibility of the market-system equilibrium produces less distortion of the intermediate resources.

For society to make the efficiency-equity choice, full information and accounting of costs and benefits must be made. Because benefits are a value judgment, socialist pricing decisions can be made only if all costs are explicit. We have tried to dispel the notion that fees below fair market value constitute a subsidy to present-day permittees because the permittees pay for the permit. Only declining fees would transfer income to present permittees. Thus, if fees are raised toward the fair market value, despite legal aspects, property is taken in the form of reduced permit wealth. On the other hand, if permit value is recognized in the fee, fees (in real dollars) will remain static. Society must recognize this dilemma to make the choice between equity and efficiency pricing.

Although the equity-efficiency pricing dilemma is the problem that underlies all other issues in grazing-fee policy, we must remember that we are dealing with a triad with additional pricing interests. The Agency concern for security and ease of administration has led to a single fee. In the market even for the simplest product, we see a multitude of prices, each requiring a separate decision. Forage price also varies by location, form, and timing. If a single fee is the average fair market value, half the permittees are being exploited while the other half are still paying below the market. To mimic the market, a fee would have to be set for each grazing allotment.

Fee charges are but one facet of the nonforage costs. The Agencies with the tradition of cooperative management have formed a partnership with the permittee in using and conserving the forage resource. When full partners in management are expected to tolerate fee structures based on fair market value, their relations are inevitably strained. Further, the inflexible nature of flat-rate fees precludes any individual discounts or rebates for costs the permittee incurs. The role of the Federal Government as either a partner or a landlord in resource management needs to be clarified.

Lastly, the above issues will not be effectively resolved as long as Congress uses the issue for political visibility rather than for seeking a solution. We cannot expect permanent or expedient pricing when legislators assume the strident position of the Stanfield and McCarren hearings. Further, the compromises that Congress mandates into fees only perpetuates the pricing cycle. Instead of compromise, a lasting solution is needed.

As Clawson **(1976,** p. **767)** points out, "The National Forests are capital-intensive, but the capital is used wastefully in large part because no charge is made for its use." On the input side, prices below market value encourage waste because services that are free are considered of no value; on the output side, prices below market value provide improper signals in the budgeting and appropriations process, and income redistribution because of price subsidy is not explicit. In short, Clawson's analysis points out that even though attention continues to be focused on price, Randall's **(1981)** mature phase in resource pricing has yet to be reached.

The lesson to be learned in the pricing of nonmarket natural resources is that action before an implied right accumulates to the current users can eliminate future political pricing cycles. The branding of range as a "commercial use" or other such delineation obscures the fact that all resources have value and should be treated equally. The possibility of a quasi-owner arises with any resource. If income transfer in pricing is allowed to persist, the privilege becomes a right. From its inception, the grazing-fee controversy has forged the interest groups that continue to be instrumental in natural-resource policy. Grazing-fee policy is the sentinel for the future of natural-resource pricing policy, as well as a catalyst for related resource policies.

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Pricing represents an important step in the allocation of scarce resources. Markets, which set the price policy, are not restricted by a simple buyer-seller relation. The Federal grazing-fee policy is at the forefront of controversy surrounding the pricing of all uses of public lands. The pricing process of grazing fees has been cyclical. With few exceptions, the cycle, which takes 8 to 14 years, includes (1) initial study, (2) fee implementation or proposal, (3) lawsuit, (4) congressional hearings, and (5) fee compromise. The tradeoff between strict market pricing and political market pricing is efficiency and equity. Government agencies, Congress, and the ranching industry all have conflicting interests that affect strict equity-efficiency decisions. If policy results in income transfer for resource use or access, a quasi-right is established and controversy is assured in future pricing.

Keywords: Range users, grazing permits, grazing fees, policy (rangeland).

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