

# Grazing Fees vs. Stewardship on Federal Lands

Discussant:  
Glenn Sheriff  
EPA

# Overview

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

# Model

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

# Game

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

# Suggestions

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

# Suggestions

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

# Suggestions

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