

Ed Dodson

SELLING THE NATION'S RESOURCES:  
FROM THE FRYING PAN INTO THE FIRE

The Manhattan Institute for Policy Research (represented by, among others, George Gilder, author of Wealth and Poverty) recently sponsored a forum to discuss the Reagan Administration's plan for "privatizing" (i.e., selling) a substantial portion of the nation's publicly-held land and natural resources. Doing so, the administration argues, would "ease budgetary deficits and stimulate economic growth". Consequently, the emphasis of this forum keyed on government's effectiveness in its stewardship of the nation's land. The Manhattan Institute posed the questions as follows:

Do politicians and bureaucrats conserve, manage and plan for the use of natural resources more responsibly than private property holders? Are wilderness areas best preserved from ecological harm by the government or might private environmental groups do a better job?

Supporting the view that government ownership and management of our lands has produced incredible mismanagement was testimony from John Baden, Director of the Center for Political Economy and Natural Resources at Montana State University:

Private firms that engage in such wasteful behavior are quickly separated from control of productive resources: they go bankrupt. There is no analogous mechanism for separating inept bureaucrats from the publicly owned resources they control. That's why the government can engage in the environmentally destructive and economically irrational practices that it does, and that's why we should privatize federal lands.

Along the same lines, senior economist on the Council of Economic Advisors, Steven Hanke, used a long quote from Adam Smith to support his view that "land like all other resources, is most productive when in private hands". Mr. Hanke

also went on to detail a program for the sale of public "grazing lands" under which the land would be first offered to current users based upon capitalized rental values. Land not purchased by the above users would be sold at auction to the highest bidder. A primary goal of the administration here is to transfer the tax base from the federal to the state and local governments and, simultaneously, generate substantial revenue from the land sales.

Surprisingly, another topic raised during the forum concerned the historical role of a "landed aristocracy" in both Europe and America. William Tucker (author and former Harper's magazine editor) chastized European aristocracy for that continent's long period of economic stagnation. He went on to compare the modern environmentalists to the former group in terms of their impact upon economic progress, quoting from the writing of economist Herman Daly on the subject:

... in the United States, the role of the landlord has been diminished almost to the point of extinction. We don't have a landlord class any more. We never really did have one. As a result, capital and labor tend to gang up on what's left of the landlord class, that is, the aristocracy.

Mr. Daly's comments support my own contention that one need not have a very thorough knowledge of history to achieve recognition as an economist. However, my interest peaked as the discussion moved on and William Tucker explained why the federal government took the "role of the landlord". Appalled at the increasing destruction of western lands by private interests, men like Theodore Roosevelt and Gifford Pinchot initiated legislative measures which brought the nation's undeveloped land under federal control and, as Mr. Tucker explained, gave the government power to "collect the rents".

Our problems, said Tucker, occurred as government attempted (long before Keynes, I might add) to also assume the role of "capitalist as well". Argued Tucker:

Bureaucratic enterprise ... develops dams and reservoirs ... Government stops charging a rent and, ultimately, doesn't even charge profit. The Government then becomes the greatest exploiter of resources because it's not charging the proper price for their use. Indeed the whole society plunders the resource base, because there is no strong landlord collecting the rent.

A certain amount of confusion seems to have existed as to whether or not Mr. Tucker advocated government's continuing role as landlord, although my interpretation of his comments is that he supports the sale of at least some government-held lands. However, responding to a comment by Ralph Smeed (of the Center for Market Alternatives in Boise, Idaho) that as Von Mises says -- "that economic calculation is only possible in a market economy", so how could you have rational calculation with the federal government acting as landlord?, Tucker simply added that "government would simply charge a rent to any entrepreneur who wanted to use the land". Thus, Mr. Tucker showed signs of having once been influenced by Henry George (or, at least David Ricardo).

The Manhattan Institute forum raised many of the same questions which has been raised by Georgists for over a century. A major political and economic battle is now coming to the forefront of our society. Georgists must unite in an effort to directly impact the outcome. We cannot remain in the background. We should not remain silent.

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