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CONSERVATION + FISCAL CONSERVATISM =

FREE MARKET ENVIRONMENTALISM

By John Baden and Tom Blood

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Through their tax dollars, Americans are unknowingly subsidizing the destruction of some of their best wildlife habitat. This perverse outcome is especially unfortunate, for Americans' appreciation of their environment has increased substantially during the last decade-and-a-half. Public opinion surveys, whether taken by Gallup or the local newspaper, consistently demonstrate that public concern for the preservation of lands and waters, and the natural communities they support, has spread across the nation. Yet we continue to have our tax dollars fund the destruction of America's great "duck factories," the prairie potholes, most notably with the Garrison Diversion project of North Dakota. A coalition made up of fiscal conservatives and conservationists has the potential of redressing problems such as those created by the Garrison Diversion. These projects affront both ecological and economic sensitivities.

Garrison provides a good "worst case," for it is a highly controversial example of bureaucratic boondoggling. This incomplete, 19-year-old federal project is designed to move Missouri River basin water eastward through a tangle of 3,000 miles of canals, pipelines, and reservoirs to irrigate less than one percent of North Dakota's farmlands. Even on the drawing board the plan is a logistical nightmare. Water from

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Lake Sakakawea behind the Garrison Dam will be pumped into Audubon Lake. It will then be diverted through McClusky Canal to Lonetree Reservoir, where it will be dispersed through a maze of canals into the Sheyenne, Wild Rice, Souris, James, and Devil's Lake drainage basins.

The Garrison Project is tied to the 1943 Pick-Sloan Plan to develop water resources in the Missouri River Basin. Under this agreement, dam building and flood control were assigned to the Army Corps of Engineers, while irrigation and hydroelectric power development went to the Bureau of Reclamation, an organization established in 1902 to "make the desert bloom like a rose." These roses, however, have more thorns than flowers.

The Garrison Dam was completed in 1956. The Bureau of Reclamation's appetite had been whetted, and the door was open for follow-up proposals to link Garrison Dam with central and eastern North Dakota. Specifically, the Garrison Project plan called for two regulating reservoirs, 14 pumping plants, 193 miles of canals, 358 miles of open drains, 444 miles of buried pipeline, and 1,662 miles of buried drain.

Authorization for the entire Garrison Diversion project came in 1965 with a \$207 million price tag. Eighteen years later, only 15 percent of the unit has been completed. Projected costs exceed one billion dollars, yet not one drop of Garrison irrigation water has gone to North Dakota farmland.

When and if the water reaches its destination, each targeted farm will receive the equivalent of a \$700,000 subsidy. Irrigators will pay about five percent of the costs, on an interest free basis, over a 50-year period, while the rest of the country will subsidize the difference through taxes and higher electrical rates.

These winners are the special interest groups who lobbied for, and who

anticipate receiving, a windfall of cheap water. There is considerable support for Garrison in the small-town business communities, because an economic boom is expected from lengthy construction contracts and long-term stays by construction crews. The losers are the farmers who have already sacrificed land to Garrison, American taxpayers, and, most significantly, the wildlife displaced from the destroyed wetland habitat.

North Dakota, which produces more ducks per year than any state except Alaska, is aptly called the "duck factory" of America. These wetlands, marshes, and potholes offer prime habitat, not only for ducks but also for geese and shorebirds. The wetland region is also a rich and essential stopover point on the Central Flyway migratory route.

Unfortunately, wildlife and water projects usually do not mix well, and Garrison is no exception. Note these facts:

- o Garrison's McClusky Canal, begun in 1970, required a right-of-way of more than 12,000 acres of farmland and waterfowl nesting ground.

- o The U.S. Fish and Wildlife Service estimated that Garrison will adversely affect nine national wildlife refuges and five North Dakota game management areas.

- o A mitigation plan, aimed at replacing wildlife habitat ruined by Garrison, calls for acquiring an additional 146,530 acres. But an Audubon study stated that the agency has greatly underestimated the adverse impact on national wildlife refuges, while overstating the benefits of the mitigation plan.

- o 70,000 acres of prairie wetlands and waterfowl habitat will be destroyed if the project is completed—nearly twice the original U.S. Fish and Wildlife Service estimate.

One of Garrison's more ironic twists is that the same bureaucracy that planned and funded Garrison Dam in the 1950s also relocated ducks, cranes,

and geese displaced by the dam's construction by providing the Audubon National Refuge. The famous naturalist for whom the refuge was named would cringe to learn that the same bureaucracy has now sacrificed the Audubon Refuge to build the McClusky Canal.

As a result of a 1976 Audubon Society suit against the Department of the Interior, construction was halted on the project from 1977 to 1982. The North Dakota legislature, which in the past promoted private sector safeguarding of wetlands, apparently had its fill of private groups tying knots around its water projects. Consequently, state lawmakers amended North Dakota's corporate farming law in 1983 to bar individuals and private organizations from purchasing wetland easements, reducing the opportunity for the National Audubon Society, Ducks Unlimited, or The Nature Conservancy to privately protect wetland habitats.

Garrison is viewed by economists and policy analysts as a classic 20-year boondoggle. Yet analysts predict that so much money has already been poured into the project that Congress will be reluctant to turn off the faucet and leave the project unfinished. Thus, we as taxpayers and sportsmen are injured twice: once by excessively high taxes and again by an impoverished wildlife community.

We should not allow our outrage to blind us to the causes of this and similar economically wasteful and environmentally costly activities. The task is, first, to understand this and related problems and, second, to work toward economically efficient and environmentally sensitive reforms. Fortunately, we have both political and intellectual allies.

Conservation groups such as the Nature Conservancy, Ducks Unlimited, and Trout Unlimited, are gaining recognition and support. Although individuals in these organizations have diverse livelihoods and

backgrounds, their interests converge on the pleasures derived from wildlife and its habitat, and on a shared concern for its protection. Members of these organizations, further, are beginning to understand that fiscal conservatism is compatible with and supportive of conservation and the preservation of wildlife habitat. The remaining task is to adjust our political institutions to encourage people to do good while doing well.

Fiscal conservatives who trace their roots to Adam Smith and to the U.S. Constitution are also making their voices heard in Washington. These individuals recognize that the Constitution was designed to make clumsy and expensive the use of coercive powers of government simply to transfer wealth from one group of citizens to another, more politically potent, group. It favored productive and innovative investments of time, energy, and capital rather than encouraging welfare entitlements and income transferring activities.

As government became increasingly involved in resource allocation and management, it offered ever more attractive "investment" opportunities for individuals who otherwise would seek wealth via increased net productivity: pork from the government barrel looks ever more enticing. The Garrison Diversion is best understood as one such pork barrel payoff. In this case, as in so many others, special interests use the taxpayer, through the government, to sponsor a project that is socially unnecessary, costly, and ecologically dismal. The beneficiaries intend to gain at the expense of society, wildlife, and its habitat.

Environmentalists find such ecologically destructive, economically inefficient pork barrel stew no more palatable than do fiscal conservatives. As a result, unlikely alliances have developed between groups as diverse as the National Taxpayers' Union and the Audubon Society, which have joined forces to oppose construction of the Garrison Diversion.

Although many of the active environmental groups grew up with a pro-government bureaucracy orientation, they realize increasingly that when they meet the enemy on a marsh or a river he is usually funded by the U.S. Treasury.

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Conservation groups have only recently recognized and concentrated upon operation of the political machinery. During the 1970s, when ecological issues exploded in perceived importance, environmental groups invested huge quantities of resources in pushing for bureaucratic solutions. It is now clear that they should have examined the institutions and then pushed for institutional reform. In the areas of wildlife and natural resources, as in other policy arenas, decisions are made by individuals on the basis of the information and incentives they face. Institutions generate these critical determinants of behavior. Thus, despite good intentions and skillful lobbying, wildlife organizations found themselves fighting a battle frustrated by an institutional framework for policy that often distorts and contradicts their program goals. Decisionmakers in various parts of government simply were not receiving clear and balanced information on the many results of their proposed programs.

It became apparent that wetlands were disappearing at a clip of 500,000 acres per year, largely subsidized by taxpayers through the Soil Conservation Service and other governmental. The first reaction of environmental groups was to push for government wetland acquisition programs.. Thus, governmental policies to purchase and protect wetlands confront other policies that subsidize their destruction.

The U.S. Fish and Wildlife Service, an agency of the Department of the Interior, asserted a need to acquire nearly 2 million acres of wetlands for preservation during the 1977-86 period. By 1982, however, only 336,070 acres had been purchased. During that same period, more than 2 million acres were drained and paved over or plowed under. Federal acquisition efforts are being bulldozed by fellow bureaucrats who create and support legislation encouraging activities responsible for wetland destruction. The Internal Revenue Code, for example, makes provisions for:

- accelerated depreciation and annual tax deductions of up to 25 percent of gross farm income for the construction of diversion channels, drainage and irrigation ditches, and water outlets;
- accelerated depreciation for landclearing expenditures, including the diversion of streams and other watercourses;
- investment tax credits for 10 percent of the cost of installing drain tiles for agricultural purposes.

The U.S. Department of Agriculture also encourages wetland conversion through its crop production subsidies. When commodity prices are increased by support programs, farmers face incentives to respond by clearing and draining more land to step up production. The Nature Conservancy estimates that between 80 and 90 percent of the wetlands destroyed in this country have been converted into farmland. Given our problems with too much agricultural production, leading to crop surpluses, one must question the wisdom of paying the financial and environmental costs associated with artificially stimulating added production.

It is our contention that if people are aware of the opportunities to preserve wetlands and have the incentive to do so, the wetland situation can be substantially improved. This prediction is supported by the emergence of the Land Trust Movement, which has been promoted by

individuals and organizations who demonstrate both entrepreneurial spirit and environmental concern.

The movement combines innovative planning with tax benefits and relies on cooperation between concerned landowners and conservation groups such as The Nature Conservancy, Ducks Unlimited, and the Natural Lands Trust. Private land trusts in the country today number close to 500 and are responsible for the protection of nearly three million acres of fragile and valuable ecosystems. Wetlands are a primary concern for these trusts.

When a land trust intends to preserve an ecosystem such as a wetland area, it will usually purchase the rights to develop if it cannot buy the property outright. Under these agreements, the property is appraised both with and without development rights. While the land may decline in market value when the landowner sells his right to develop the property, taxes may also drop significantly and the landowner receives a tax deduction for making a charitable gift of the development rights. Thus, landowners face incentives to preserve natural communities while benefiting in the process, and the wetland's preservation is guaranteed. This is a splendid example of doing good while doing well.

The land trust movement shows how institutional reform can provide incentives encouraging individuals to preserve wildlife and habitat. Not all habitat should be saved, of course. Private action is healthy for when certain areas have a very high development value, the tradeoff becomes obvious via market bids. The decision as to whether other acres or other measures might be more cost-effective must be faced by private sector decisionmakers. The seemingly bottomless federal purse is not then an option.

The growing alliance of fiscal conservatives and conservationists has

been responsible for sowing seeds of change, but tremendous progress can still be made and time is precious. "What we have saved and what we save in the next few years will be all that remain to be passed on to future generations," The Nature Conservancy writes. Let us responsibly protect what remains. This would be a fitting tribute to our Founding Fathers as we approach the Bicentennial of the U.S. Constitution, the most successful document ever written for improving the general well-being of a people. A system of private property rights and voluntary agreement is consistent with our heritage and stands as the best alternative to the perverse visions of the political entrepreneurs now dominating our natural resource policy arena.