## Testimony in Support of LD 183: An Act to Cap Publicly Owned Land Area at No More than 50 Percent of Any County

## Senator Talbot-Ross, Representative Pluecker, and Members of the Agriculture, Conservation, and Forestry Committee:

## Testimony Summary:

I, Dr. Matt Benner, Maine resident (Hallowell), support LD 183, which aims to cap publicly owned land at 50% in any county, arguing it addresses economic, social, and corruption issues in Maine.

- **Economic Impacts**: Excessive state land ownership reduces property tax revenues, straining budgets for essential services and limiting private enterprise opportunities, leading to job losses in rural areas.
- **Local Control**: Concentrated land ownership by the state diminishes local control over land use decisions, misaligning priorities with local needs and reducing community engagement.
- **Social and Cultural Disruption**: Large-scale state land acquisitions can disrupt traditional land uses and cultural practices, particularly in indigenous and long-standing rural communities, leading to social disarticulation.
- **Lack of Transparency**: Land transfers to state ownership often occur without adequate public scrutiny, resulting in assets being acquired below their true market value and fostering corruption.
- **Monopolistic Behaviors**: State-owned entities may operate with minimal checks and balances, increasing the risk of corruption, and damage to local communities as politicians can exploit these entities for personal gain.
- **Conservation Balance**: While conservation is essential, it must be balanced with the economic and social needs of local communities, which LD 183 aims to achieve by capping public land ownership.
- **Supporting Literature**: Numerous scholarly works support the argument that public ownership can lead to inefficiencies, corruption, and authoritarian practices, emphasizing the need for balanced approaches.

**LONG VERSION OF TESTIMONY TO INCLUDE ANNOTATED BIBLIOGRAPHY:**

I support this measure because of its potential for negative socio-economic impacts on rural Maine, and the dangers it poses in terms of perpetuating corruption in Maine.

### Negative Economic Impacts of Extensive State Land Ownership

While public land conservation offers environmental benefits, excessive state ownership can have unintended economic consequences, particularly in rural areas. A significant concern is the reduction in property tax revenues. When the state acquires large tracts of land, these properties often become tax-exempt, leading to decreased revenue for local governments. This reduction can strain budgets for essential services such as education, infrastructure, and public safety.

Moreover, state ownership can limit opportunities for private enterprise, particularly in sectors like agriculture, forestry, and mining. This restriction may lead to job losses and hinder economic diversification in rural areas.

### Impact on Local Control and Community Engagement

Concentrated land ownership, whether by private entities or the state, can lead to diminished local control over land use decisions. When decision-making authority is removed from local communities, land use priorities may become misaligned with local needs and values, leading to reduced community engagement and empowerment.

### Social and Cultural Considerations

Large-scale land acquisitions by the state can disrupt traditional land uses and cultural practices, particularly in indigenous and long-standing rural communities. This disruption may lead to social disarticulation and loss of cultural heritage.

### Lack of Transparency and Undervaluation

In many instances, land transfers to state ownership occur without adequate public scrutiny, resulting in assets being acquired below their true market value. This not only shortchanges the public but also fosters an environment where corrupt practices can thrive. A study highlighted in *ResearchGate* indicates that larger government sizes, often associated with state ownership of enterprises, correlate with increased corrupt activities.

### Monopolistic Behaviors and Corruption

State-owned entities, due to their monopolistic nature, may operate with minimal checks and balances, increasing the risk of corruption. The International Monetary Fund (IMF) notes that corruption can be more prevalent in state-owned enterprises compared to private firms, as it is easier for politicians to exploit these entities for personal gain.

**Corruption in Land Transfers from Private Owners to State Owned Entities**

State owned entities have historically proven to lack checks and balances given they can act as monopolists. Large scale land transfers from individuals and private corporations often lack transparency and true market value - ultimately the public is short-changed true market value in the land acquisition or eventual land sale process.

**Conclusion**

While conservation efforts are essential, it is crucial to balance them with the economic and social needs of local communities. LD 183 offers a balanced approach by capping public landownership, thereby ensuring that the benefits and burdens of public lands are distributed equitably across the state. I urge the committee to support this legislation to promote economic vitality, local control, and social cohesion in Maine's rural communities.

**BIBLIOGRAPHY:**

**Public ownership of land, utilities, and profit-making businesses has been extensively studied, with numerous articles and research papers analyzing instances of failure and the potential for authoritarian practices. Below is a selection of scholarly works that support these conclusions:**

**1. Hart, O., Shleifer, A., & Vishny, R. W. (1997). "The Proper Scope of Government: Theory and an Application to Prisons."** ***The Quarterly Journal of Economics*****, 112(4), 1127–1161.**

This seminal paper examines the efficiency of public versus private ownership, particularly in the context of prisons. The authors argue that while private ownership can lead to cost reductions, it may also result in lower quality due to profit-maximizing behaviors, highlighting potential failures in public ownership when efficiency incentives are misaligned.

**2. Besley, T., & Ghatak, M. (2001). "Government versus Private Ownership of Public Goods."** ***The Quarterly Journal of Economics*****, 116(4), 1343–1372.**

This research explores the allocation of ownership rights between government and private entities concerning public goods. The study suggests that government

ownership can lead to inefficiencies, especially when the government's objectives are not aligned with social welfare, potentially resulting in authoritarian practices.

**3. Schmitz, P. W. (2015). "Government versus Private Ownership of Public Goods: The Role of Bargaining Frictions."** ***Journal of Public Economics*****, 132, 23–31.**

Schmitz analyzes how bargaining frictions between government and private parties can impact the provision of public goods. The paper concludes that government ownership may lead to suboptimal outcomes when there are significant bargaining inefficiencies, contributing to failures in public ownership.

**4. Hoppe, E. I., & Schmitz, P. W. (2010). "Public versus Private Ownership: Quantity Contracts and the Allocation of Investment Tasks."** ***Journal of Public Economics*****, 94(11–12), 859–866.**

This study investigates how the allocation of investment tasks differs under public and private ownership. The authors find that public ownership can result in underinvestment due to lack of proper incentives, leading to inefficiencies and potential failures in service provision.

**5. Hart, O. (1995).** ***Firms, Contracts, and Financial Structure*****. Oxford University Press.**

In this book, Hart delves into the theory of incomplete contracts and its implications for firm ownership structures. He discusses how public ownership can lead to inefficiencies due to difficulties in specifying and enforcing contracts, which can result in failures and authoritarian control.

**6. Halonen-Akatwijuka, M. (2012). "Nature of Human Capital, Technology, and Ownership of Public Goods."** ***Journal of Public Economics*****, 96(11–12), 939–945.**

This paper examines the relationship between human capital, technology, and ownership structures in the provision of public goods. The findings suggest that public ownership may not always be optimal, particularly when it leads to inefficiencies and potential authoritarian practices.

**7. "Regime Change and Corruption: A History of Public Utility Regulation." (n.d.).** ***National Bureau of Economic Research*****. Retrieved from https://www.nber.org/system/files/chapters/c9986/c9986.pdf**

This historical analysis explores the evolution of public utility regulation and highlights instances where public ownership led to corruption and inefficiencies, underscoring the potential for failure in such models.

**8. "A Test of the Property-Rights Theory of the Firm: Water Utilities in the United States." (1978). *The Journal of Law and Economics*, 21(2), 395–408.**

This study tests the property-rights theory by examining water utilities in the U.S., finding that public ownership can lead to inefficiencies due to lack of proper incentives, supporting the argument of potential failures in public ownership.

**9. "Mastering the Risky Business of Public-Private Partnerships in Infrastructure." (2021). *International Monetary Fund*. Retrieved from https://www.elibrary.imf.org/view/journals/087/2021/010/article-A001-en.xml**

This paper reviews the advantages and disadvantages of public-private partnerships (PPPs), discussing how poorly designed PPPs can lead to implicit fiscal risks and inefficiencies, highlighting the challenges in public ownership and management of infrastructure projects.

**10. "Authoritarian Capitalism and Its Impact on Business." (n.d.). *International Institute of Islamic Thought*. Retrieved from https://iiit.org/en/authoritarian-capitalism-and-its-impact-on-business/**

This article discusses how authoritarian capitalist models, which often involve significant public ownership, can lead to inefficiencies and suppression of business innovation, illustrating the potential for failure and authoritarian practices in such systems.

**11. "Public Value Creation Mechanisms in the Context of Public Service Logic." (2023). *Public Management Review*, 25(1), 1–23.**

This paper presents an integrated conceptual framework to understand public value creation in public service delivery, discussing how public ownership can sometimes hinder value creation due to bureaucratic inefficiencies and lack of innovation.

**12. "Private or Public? The Effect of Ownership on Electric Utility Performance." (2021). *West Chester University Doctoral Dissertations and Capstone Projects***

This dissertation examines the performance differences between private and public electric utilities, finding that public ownership can lead to inefficiencies and lower performance levels, supporting the argument of potential failures in public ownership.

**13. "Common Property Resources and Public Goods." (n.d.). *Boston University*. Retrieved from https://www.bu.edu/eci/files/2022/04/Chapter-13.pdf**

This chapter discusses the challenges associated with managing common property resources and public goods, highlighting how public ownership can lead to overuse and inefficiencies due to lack of proper management incentives.

**14. Glaeser, E. L. (2001). "Public Ownership in the American City." *National Bureau of Economic Research*, Working Paper No. 8613.**

This paper explores the history of public ownership in American cities, discussing how corruption associated with private ownership of utilities and public transportation led to increased municipal ownership. However, it also highlights the inefficiencies and excessively large government payrolls that often-accompanied public ownership.

**15. Saxer, S. R. (2005). "Government Power Unleashed: Using Eminent Domain to Acquire a Public Utility or Other Ongoing Enterprise." *Indiana Law Review*, 38, 55-102.**

This article examines the use of eminent domain by state and local governments to acquire privately-owned utilities. It discusses the legal and practical challenges of such acquisitions, including the potential for inefficiency and the complexities involved in transitioning to public ownership.

**16. "Regime Change and Corruption: A History of Public Utility Regulation." (n.d.). *National Bureau of Economic Research*.**

This historical analysis explores the evolution of public utility regulation and highlights instances where both regulation and public ownership failed on several important margins, leading to inefficiencies and corruption.

**17. "Has Government Regulation of Utilities Proven a Failure?" (n.d.). *Indiana Law Journal*, 13(2), 156-169.**

This article discusses the challenges and failures associated with government regulation and ownership of utilities, suggesting that public ownership often leads to inefficiencies and may not effectively serve the public interest.

**18. "Ownership and Efficiency of U.S. Electric Utilities Prior to Rate-of-Return Regulation." (1989). *The Journal of Economic History*, 49(3), 659-674.**

This study examines the performance of publicly owned electric utilities in the United States before the implementation of rate-of-return regulation, finding that public ownership was often associated with lower efficiency compared to private ownership.

**19. "Municipal Ownership of Public Utilities." (1913). *Yale Law Journal*, 22(4), 355-367.**

This early 20th-century article analyzes the legal and practical aspects of municipal ownership of public utilities, discussing the potential for inefficiency and the challenges associated with public management of these services.