

An economist goes to a national park

Economists are efficiency experts, so they often see innovative ways to solve problems. To reduce pollution, they may advocate replacing regulations with taxes. To help poor countries, economists may call for wealthy countries to stop distributing aid and to begin accepting tariff-free imports from these poor countries. In these two examples, as in most of their endeavors, economists focus on how to efficiently attain goals. Their focus shapes their personalities. So much so, that when economists travel, they seem to be playing a game called spot the inefficiencies.

My family probably thought I was playing this game during Spring Break on our trip to Arches National Park. Arches is a wonderful place with many enjoyable hikes and memorable sights. In order to get the most out of our trip, I researched our options and created an itinerary. The signature hike at Arches is the Fiery Furnace, which requires a permit. In March, when we went, there were only 75 permits available each day for the self-guided tour (In April, the park also begins to offer a limited number of tickets for ranger-led tours). To get a permit for the self-guided tour, a person must buy one online for \$10. The permits become available at 8 am one week before the scheduled hike. At 8:10 a.m., I tried to get one of these permits for the first day of my trip. I was too late. The permits were sold out.

I thought I could learn from my mistake. So on the next day, I sat in front of my computer at 7:58 a.m. and got ready to buy the permits at exactly 8 a.m. I clicked my mouse as soon as it

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couldn't buy the permits.

The efficiency expert part of me grew frustrated with the system. People are not used to hearing what I am about to say but ... the permit prices were too low. It would have been way more efficient for the national park to charge the highest price the market would bear. Suppose this price was \$50 in the spring and summer and \$10 in the off-season. This higher peak-season price is efficient for several reasons. First, people across the country (including me) could have avoided wasting time sitting in front of computers for several days, hoping our purchase requests go through at 8 a.m.

Second, the higher prices would ensure that people who place the highest values on the permits would get them. For instance, a local, who could easily buy a permit in the off-season, may place a \$12 value on buying a permit in March. At the current \$10 price, the local may be lucky enough to get a permit. If the permit price were \$50, this local would not try to buy a ticket. Instead, he would wait for the low off-season price. In contrast, a person flying in from Conway, Arkansas, might gladly pay the \$50 permit price.

was 8 a.m. But again, I was too late. For the next three days, I tried the same thing. I was perched in front of my computer and attempted to buy permits as soon as I saw that it was 8 a.m. In every case, the result was the same. I was too late and

After all, \$50 is a drop in the bucket next to all of the other expenses of the trip. If a person is going to pay for lodging, flights and a rental car, that person will surely want to pay \$50 to experience the park's signature hike, knowing that he or she may never return.

The high \$50 price is efficient for another reason: It could help Arches solve its parking problem. Arches is set up so people have to drive to the different trail heads. At some trail heads, the parking lots fill up quickly, which forces patrons to hike the trails where they can find parking rather than the trails they want to hike. To alleviate this problem, the National Park Service looked into providing a shuttle service. The shuttle could bring people to the different trail heads. Unfortunately, the park service determined that the service would not generate enough revenue to be cost effective. However, higher-priced permits for the Fiery Furnace could raise money that could be used to subsidize the shuttle service – perhaps raising enough money to make the shuttle service viable.

People are conditioned to think that lower prices are always a good thing. However, if a low price accompanies a shortage, a community's welfare is often improved with an increase in the price of the scarce good or service. Consequently, the National Park Service should increase the prices of the Fiery Furnace's \$10 self-guided tour permit and its \$16 ranger-led tickets, which both sell out in less than a minute during peak season.

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