WILLIAMSPORT REVISITED: APPLYING AN AUSTRIAN LENSTO THE LUMBER AND FRACKING BOOMS OF WILLIAMSPORT, LYCOMING COUNTY, PENNSYLVANIA

by Erika Grace Davies
Abstract
In 1845, Williamsport experienced massive growth from the lumber boom. This growth did not last, however, and with the decline of the boom in 1909, the city was left destitute. I theorize that the institutional environment leading up to the lumber boom incentivized entrepreneurship and market competition. When this environment changed, individuals began competing for protectionism instead, driving the lumber boom towards its bust. Based on this analysis, I supply policy recommendations for Williamsport to maintain growth after the fracking boom it is currently experiencing. Specifically, local policymakers should foster a policy environment that promotes entrepreneurship and market competition.

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I. Introduction

To understand how some cities experience booms and busts, I examine past and present booms in Williamsport, Pennsylvania. Williamsport recently experienced a fracking boom, and residents worry that history will repeat itself and a bust will leave the town destitute, as it did following the lumber boom of the 1800s. However, I hypothesize that the severe impact of bust of the lumber boom was due to a change in the institutional environment that constrained the resiliency of the city. As long as policymakers in Williamsport can maintain an institutional environment that promotes productive entrepreneurship and market competition, they can maintain progress and resiliency, even when the fracking boom ends.

Williamsport is a small town on the West Branch of the Susquehanna River in Lycoming County, Pennsylvania (see Figure 1 in the Appendix). It is situated in a valley, surrounded by mountains that slope into the river. In the 1800s, these mountains were covered in valuable white pine trees, which farmers-turned-lumbermen would cut, float downriver on rafts, and sell to local lumber mills (Theiss 1952). I choose to investigate the rise and fall of this town because my father grew up here. His mother (my grandmother), my parents and I would visit often for class reunions, funerals, weddings. As a child I was amazed that a town could be so flat: not in the mountains, but with a perfect view of them. I’ve heard countless story from my grandmother about her time as a young mother in with what she now calls “good ole PA!”

In 1849, James H. Perkins introduced new technology to the lumber market by establishing the Susquehanna Boom Company. The company was instrumental in making Williamsport a wealthy hub of the lumber age (Hunsinger n.d.). This period was Williamsport’s industrial revolution, when immigrants flocked to the town, skilled artisanship declined, and

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1 I learned this information during a visit to Williamsport in the summer of 2016.
factory manufacturing increased (Kim 2007). During this time, Williamsport had the most millionaires per capita of any city in the United States.\(^8\) But the lumber boom proved unsustainable, and in a few short years, Williamsport went from a rich, vibrant, urban area to an almost abandoned town (Stranahan 1993).

In 2007, oil and gas companies discovered Marcellus Shale below the properties of Williamsport residents. Since this discovery, immigrants are again flooding the town, business downtown is growing once more, and Williamsport is becoming wealthier by the year (Detrow, 2010). The town is experiencing an economic revival. However, residents exhibited concern that the boom will once again turn into a bust.\(^2\)

To understand how some cities experience booms and busts, I examine the historical and current booms of Williamsport, Pennsylvania. In 1845, Williamsport experienced massive growth from the lumber boom. This growth did not last, however, and with the decline of the boom in 1909, the city was left destitute. Historians have documented the first rise and fall of Williamsport, but there exists no research on why the second fall happened, or what lessons can be learned from the experience.

I combine urban growth theories (Muller 1976) with Austrian theories of competition and entrepreneurship to understand these historical and current occurrences. Urban growth theories are important to understanding the general patterns that American cities follow as they emerge from small, agrarian settlements, first in colonies under control of the king, and then in states (Muller 1976). Combined with Austrian theories of entrepreneurship and innovation, I examine (1) why Williamsport was able to follow these prescribed patterns of growth, (2) how Williamsport policies contributed to its bust (specifically, that when government rewards rent-

\(^2\) I learned of this sentiment when I spoke to residents of Williamsport during the summer of 2016.
seeking behavior, entrepreneurship becomes unproductive and growth suffers), and (3) where the town is likely to go in the future, based on its institutional environment and the effect of this environment on citizens.

When applied to the narrative of Williamsport, these theories suggest that institutional environment leading up to the lumber boom incentivized entrepreneurship and market competition. When this environment changed, individuals began competing for government protection and favors instead, driving the lumber boom towards its bust. I argue that innovative entrepreneurship flourishes in Williamsport when institutions conduct themselves with an air of humility, protecting private property rights while allowing for free and open competition. Based on this analysis, I supply policy recommendations for Williamsport to maintain growth after the fracking boom it is currently experiencing. The lesson is this: the growth Williamsport is currently experiencing from the fortuitous discovery of its oil and gas resources can persist, if institutions remain conducive to and encourage innovation and competition. Williamsport, like other small boom towns, must allow its portfolio to diversify by encouraging productive entrepreneurship.

Promoting development is not a passive a role as it may seem. Policymakers should refrain from using regulation or other barriers to entry that contribute to an unlevel playing field for businesses. This may require deliberately creating space for businesses to succeed with policies that intentionally level the playing field, simplify or alleviate regulatory requirements. Policymakers need to stand strong against the anticompetitive pressures of special interest groups and the influence of political favors. Attempting to turn a lumber town into Perkins’ personal playground was a fatal (but tempting) mistake by Williamsport policymakers. Practicing humility should be an active goal for those in political power.
In order to promote innovation as a catalyst for economic growth, public policies must allow for freedom of movement and adjustment. This requires that entrepreneurs are not discouraged from innovating for fear of bureaucracy, red tape, startup costs, or government favoritism.

II. Urban Growth, Competition, and Entrepreneurship

This paper explores how cities—especially small boom towns in rural America, such as Williamsport—rise and fall as their institutional environments change. Urban growth theory offers useful insight as to how Williamsport emerged, and by adding Austrian theory to this insight, I tell a more complete story. Specifically, I use the concepts of the market as a process and the roles of competition and entrepreneurship in economic development.3

Muller (1976) establishes three phases of regional development specifically for the Ohio River Valley—an area very similar to Williamsport.4 In accordance with these phases, Williamsport transformed from a frontier region into a fully-integrated part of the national economy. During the first phase, the Pioneer Periphery, agrarian colonists established permanent settlements, cleared the land for their farms, and experimented with export commodities within their city markets, remote from external markets. During the second phase, the Specialized Periphery, the settlement of Williamsport expanded in tandem with the city markets, and improved its interregional connections while specializing its staple exports (white pine and

3 I am hesitant to attribute Williamsport’s lumber boom to any individual entrepreneur. Instead, I acknowledge that productive entrepreneurship during this time was a result of development that occurred in Williamsport prior to the lumber boom.

4 Muller admits that his general findings are appropriate for most newly-settled regions of North America.
hemlock). Finally, in the third phase, the Transitional Periphery, Williamsport was integrated into the national economy with national transportation and marketing systems.

So how did Williamsport become a wealthy hub of the lumber boom in the late 1800s, and why did the city fall into poverty when the boom ended? The answers to both questions lie on either side of the same coin: entrepreneurship. Boettke and Coyne (2003) identify one of the most important institutions for encouraging growth through entrepreneurship as well-defined property rights. As I examine below, these institutions were under-developed, and characterized by uncertainty during the lumber boom. For example, because the land surrounding the West Branch of the Susquehanna River—the land on which the valuable forests of white pine and hemlock grew—had been claimed by early settlers and colonists, precise ownership of the land was unclear.

However, because entrepreneurial activity is ubiquitous in human action, entrepreneurship cannot be the sole cause of economic development (Boettke and Coyne 2003). Kirzner (1973) argues that the entrepreneur does not create profit opportunities, but responds to them instead; economic growth driven by entrepreneurship cannot be explained without reference to institutions. Thus, the true cause of economic development is the institutional environment that encourages entrepreneurship and allows it to flourish. Boettke and Coyne (2003) argue that the type of entrepreneurship associated with economic development is a consequence of this development, not necessarily a cause. Development is caused by the adoption of certain institutions, which creates an environment encouraging of entrepreneurship.

Baumol (1990) agrees that entrepreneurs are ubiquitous. Additionally, Baumol identifies a dark side to entrepreneurship, which he calls ‘unproductive’ or even ‘destructive’
Baumol identifies innovation as productive entrepreneurial activity, and rent-seeking as unproductive entrepreneurial activity. Rent-seeking is unproductive because instead of benefiting society by creating value, a rent-seeker attempts to obtain benefits for himself by manipulating the political environment (Tullock 1993). The type of activity that entrepreneurs pursue is heavily dependent on the ‘rules of the game’ or the institutional environment.

Entrepreneurial activity is altered by the relative payoff society offers for various pursuits. If political institutions are organized such that rent-seeking is a valuable endeavor, entrepreneurs are more likely spend their resources lobbying government for policies that benefit themselves than they are to spend these resources innovating. For example, when licensed hair dressers lobby to outlaw braiding hair without a license, they use the government to decrease competition for themselves. They increase their market share not through productive entrepreneurship—not by providing a superior service—but by engaging in unproductive entrepreneurship and artificially preventing competition (Baetjer 2013).

Productive entrepreneurship develops as cities develop, as part of an emerging market process. Hayek (1968) describes competition as a discovery procedure, in which entrepreneurs take advantage of opportunities for innovation, thus adjusting the competitive environment and creating more opportunities for innovation, and on and on. As the institutions of an area change, entrepreneurial incentives change. In Williamsport, for example, entrepreneurs began as farmers, selling their extra crops at the city market before pivoting to selling lumber.

Likewise, as government is established and matures, entrepreneurs’ incentives may shift again, toward unproductive entrepreneurship, if the government will reward such behavior.

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5 Boettke and Coyne accept Baumol’s theory and apply it to their 2009 paper “Context Matters: Institutions and Entrepreneurship.”
Baumol (1990) posits that rent-seeking efforts constitute the prime threat to productive entrepreneurship, but he also offers an optimistic option. Individuals need not wait for slow cultural change to affect the rules of the game such that entrepreneurial activity becomes productive again. Instead, it is possible to change the rules ourselves, by pushing for fewer regulations and government that ignores special interest lobbying.

Urban theory explains how Williamsport grew, and Austrian theory explains how Williamsport can maintain development. This combination of theories is applicable to boom towns across America: if government will allow productive entrepreneurship by adjusting the rules of the game and remaining steadfast against rent-seeking behavior, a boom town may diversify its portfolio and maintain growth after a bust.

III. The Lumber Boom

Every Pennsylvania pioneer was, in a sense, a lumberman. Before he could have a farm, he had to clear the land, chop down the giant trees, get them out of the way, usually by burning, and eventually pull the huge stumps. These pioneers at first had small market for lumber, as such. Yet they did an enormous business in forest products. Pioneers presently came to count upon paying for the clearing of their land by the proceeds from the sale of the ashes from their burned logs. And here we meet a meshing gear. Ashes could not be sold until there was adequate transportation. So early roads and canals played a part that we hardly appreciate today. (Theiss 1952, 398)

In 1638, Swedes began to settle Pennsylvania. The houses they built—log cabins—were unusual to the other settlers, but when masses of Germans followed in 1710, they popularized the structure. Soon, the log cabin became a staple for every agrarian colonist. In the mountains of
Pennsylvania, the forests were so dense that there was no room for farmland. Each pioneer had to fell hundreds of trees, many of which went into building his own cabin, but the rest of which were sold, mainly to others who wanted log cabins of their own. Lumbering quickly developed as an individual enterprise for men who wanted to clear their lands. Small sawmills cropped up in the mountains, and began to sell sawed lumber to the local community (Theiss 1952). Those who owned tracts of forested land began to sell their trees to lumberjacks, and within a few years, a small but profitable lumber industry emerged in Pennsylvania.

During this time, Pennsylvania was still a colony, and as the king saw it, the pioneers had settled in Penn’s Woods. King George I allowed the colonists to continue their lumber industry as long as they reserved all white pines for the royal navy. White pine trees were over 150 feet tall, straight-grained, tough, and resistant to warp and rot; perfect for ship building (Stranahan, 1993). Enough pioneers observed the king’s regulation that by the time Pennsylvania became a state, the mountains around Williamsport were covered in these valuable trees, which were no longer reserved for the king.

As lands along the seaboard were deforested, the population moved inland, and Pennsylvania became more populated. The demand for lumber increased, and more pioneers found themselves pivoting away from agriculture and into the lumber business. These pioneers learned to take advantage of the area’s geographic features. They bound some logs into rafts, on which they would float other logs downriver to the city market. The city market and the lumber industry grew together: without the city market, lumbering would not have developed so rapidly, and without the lumber market, the city would not have developed so quickly (Theiss 1952).

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6 William Penn was granted a royal charter by King Charles II, and founded Pennsylvania (literally, “Penn’s Woods”) in 1681.

7 Some sources claim this number is larger: up to 8 billion board feet of white pine (Stranahan, 1993).
This gradual development fits urban growth theory of farm-to-market shifts in early America (Bushman 1998). Although early farmers referred to the products they sent to market as “surplus,” implying that they intended to feed their families first and profit from the leftovers, historians tend to subscribe to a false dichotomy of either “subsistence” or “commercial” farming. This false dichotomy persists because it is simple and clear, but often leads to oversimplification. But this transition did not occur suddenly or all at once, but rather more gradually over time.

Bushman (1998) references Bettye Hobbs Pruitt’s study of 1771 Massachusetts farms in which she discovers that systematic deficiencies in the resources of individual farms required every farmer to trade with either his neighbors or an established store. The Pennsylvania farmers, loggers, and entrepreneurs of the late 1700s fit Pruitt’s findings neatly: the realization of an emerging market process. Just as theorized, entrepreneurs existed in Pennsylvania from the beginning, and the shift from farming to selling (or from subsistence to commerce) was not abrupt. As pioneers established and acknowledged property rights by claiming land and using it, the institutional framework of Williamsport became conducive to entrepreneurial activity. The needs of individual farmers with extra logs were matched with individuals who needed logs, and, slowly, a city market was born. And, as development and entrepreneurship increase hand-in-hand, the city market and the city itself grew together.

In 1845, James H. Perkins sold his interest in a Philadelphia calico print factory and moved to Williamsport, Pennsylvania, where he used his funds to purchase the only sawmill in town. Perkins had a vision: the lumber manufacturing business was taking off in America and he was going to lead the industry, using Williamsport’s natural advantages. The small town had plenty of high-quality lumber. Covering the steep mountains surrounding the Susquehanna River
were some of the most valuable trees in North America: white pines, the same trees previously reserved for the King’s Navy, and giant hemlocks (Stranahan 1993). Perkins realized that these trees could be cut, rolled down the mountain directly into the river, and floated downstream. In 1849, Perkins and five others formed the Susquehanna Boom Company, which managed the manufacturing and sales of lumber products coming out of Williamsport, resulting in a period of prosperity that would last over forty years (Hunsinger n.d.).

Parallel to the formation of the Susquehanna Boom Company was the creation of the West Susquehanna Branch of the Pennsylvania Canal to Williamsport in 1834, the opening of the first railroad in 1839, and the gradual adoption of steam-powered saw mills (Meginness 1996; Taber 1995). Together, these new methods of transportation and power allowed finished wood products to be taken to market all year round. During the peak of the lumber boom, from 1861 to 1891, more than 30 million logs were floated down the Susquehanna and delivered to sawmills (see Figure 2 in the Appendix), which then produced 5.5 billion board feet of lumber (Williamsport/Lycoming Chamber of Commerce 2002). That is enough lumber to construct 650,000 average-sized houses today.

From 1850 to 1890, population in Williamsport increased 1,580 percent, from 1,615 to 27,132 people (US Census Bureau 1960). During this time, the lumber economy grew, and sawmills in operation expanded from one to thirty-five. The owners of these sawmills were called “lumber barons,” and with their earnings, they built opulent Victorian-style houses along Fourth Street, which is still known today as Millionaire’s Row (Williamsport/Lycoming Chamber of Commerce 2002). By 1880, Williamsport had the most millionaires per capita of any city in the United States (Stranahan 1993).7

7 The mascot of the Williamsport Area School District is still the Millionaire.
At the time of the formation of the Susquehanna Boom Company, the main problem with Williamsport’s log-shipping system was how to hold the logs safely until they could be cut into lumber. Logs regularly broke loose and continued to float down the river, past their intended destinations. A spring flood could send tens of thousands of logs speeding away (Stranahan 1993). James H. Perkins developed a contraption to act as a giant catcher's mitt. This contraption, known as “the Susquehanna Boom” was a series of square wooden cribs that were filled with stones and sunk to the river bottom. Between the cribs, logs were chained end-to-end. This made a "webbing" to catch the white pine and hemlock that came down the river (Williamsport/Lycoming Chamber of Commerce 2002). Perkins’ invention fit perfectly in a bend in the river above Williamsport. This bend naturally drew the logs to the south side of the river, where they could be contained within the Susquehanna Boom (see Figure 3 in the Appendix). This invention made it cheaper to send logs downriver. Instead of paying individual raftsmen to guide their logs along the river, lumber companies could simply roll the logs into the river and allow the boom to catch them downstream. Essentially, the Susquehanna Boom Company allowed for an increase in the number of logs that could be sent each day as well as decreased the price of sending them.

After convincing local Williamsport businessmen of the potential of his idea, James Perkins' Susquehanna Boom Company was incorporated in 1849 (Williamsport/Lycoming Chamber of Commerce 2002). The Susquehanna Boom Company had a monopoly on log floating, catching, holding, and sorting on the West Branch. Of course, lumber companies had to

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8 This symbol is appropriate for the town that would later become the Little League Capital of the World.
9 At this point, I am discussing several different booms: the lumber boom, meaning increased demand for Williamsport lumber, the Susquehanna Boom Company, and the Boom which the company constructed. I will capitalize the structure.
pay a toll to use the Boom, as they would benefit from the decreased percentage of lumber lost to
the river and to other companies downstream. Any sawmill that wanted to avoid the Boom toll
could hire raftsmen to guide their logs downriver, but with the number of logs floating freely
toward the Boom, rafting was becoming dangerous (see Figure 4 in the Appendix).

In 1894, a huge flood swept through Williamsport. The flood caused massive damages to
infrastructure, including sawmills and the Boom. After the flood of 1894, damage to sawmills
along the river was so great that many owners chose not to rebuild. The Susquehanna Boom
Company had raised tolls on the river so high that those few who did rebuild began to use the
now more-affordable railroad to transport their lumber, rather than the rivers (Pentz 1932).
Just as parallel innovations fueled the beginning of the boom, parallel disasters marked its end.
By the arrival of the flood of 1894, hundreds of thousands of acres of forestland had been
stripped, and were not successfully replanted until the early 1900s (Williamsport/Lycoming
Chamber of Commerce 2002). Some of the difficulty in replanting was due to fire, and some of
the difficulty came from a white pine blight, a disease detrimental to the valuable resource (Ellis
and Horst 2010).

In some cases, policies fueled the loss of lumber. In the early 1900s, the federal
government banned currants and gooseberries. These bushes are hosts to *Cronartium ribicola*, or
“white pine blister rust,” a fungus native to Europe. The fungus does not affect currants or
gooseberries, but it causes white pines to form cankers, which eventually kill the trees.
*Cronartium ribicola* spreads easily from tree to tree, destroying entire forests (Ellis and Horst,
2010). The government passed this ban in an attempt to protect the lumber industry (Turechek et
al. 2005). However, as we would later learn from prohibition and the drug war, a government
ban on a product is rarely effective, and usually increases the product’s black-market value.
When the value of a product increases, it is usually produced more. If the value increases enough to offset the increased production cost of an illegal product, as was the case with gooseberries, production will increase despite the law. There were two secret gooseberry clubs in North East states that continued to contribute to white pine blister rust up until the 1920s (Kilmer-Purcell and Ridge, 2013). This, combined with the loss of capital, labor, and material ended the lumber boom for Williamsport and caused American timber barons to turn their attention westward to Minnesota and Wisconsin (Stranahan 1993).

It is likely that the lumber barons, who had enough wealth to move their operations west after the deforestation of Williamsport, chose to relocate instead of waiting for new trees to grow. Lumber barons found it prudent to move with the supply of lumber instead of replanting and waiting for white pine trees to grow back. Because the land surrounding the West Branch had been claimed by early settlers and colonists, ownership of the land was unclear. In fact, after calling the Thomas T. Taber Museum of the Lycoming County Historical Society, I discovered that any deeds for this land that did exist were destroyed in 1894 by the same flood that broke the Boom. Most of the large hemlock forests were owned by tanneries (Fletcher 1955), and the lumber barons owned other plots of land, but it is unclear if these barons had stock in the Susquehanna Boom Company. In this way, the lumber boom of the late 1800s and the recent fracking boom are similar: both involve non-renewable resources to some degree.

In 1900, population growth in the town had slowed to only 6 percent per year. During the nineteenth century, Williamsport had grown by 7,785 percent, but from 1890 to 1960, this growth rate was only 55 percent (US Census Bureau 1960). From the nineteenth to the twentieth century, Williamsport went from being a vibrant, growing industrial town to a small town with sluggish growth.
The end of the lumber boom did not have to be so destructive to the entirety of Williamsport. But once the major players in the lumber industry, including the Susquehanna Boom Company as well as local raftsmen, began to engage in unproductive entrepreneurial activity, the bust was destined to bankrupt Williamsport. Before the Boom, state law designated the West Branch of the Susquehanna as a public highway. Raftsmen floated logs down the river to sawmills downstream, which were small-scale, localized operations. These mills had limited capital and pre-industrial technology. Before the Boom emerged as a rival system to the West Branch raftsmen, one recalls “touching oars with other rafts every five minutes” during the logging season (Cox 1980, 348). Another raftsman estimates that “easily” 30,000 men rafted on the West Branch each year (Cox 1980, 348). The Clinton Republican reported that, of the 500 rafts tied up at Lock Haven during the 1857 season, each carried a crew of six men (Cox 1980). That’s 3,000 men on docked rafts alone, and does not account for the raftsmen on the river, the men hauling logs out of the woods, or the men handling logs on the river and further downstream.

When the Boom was constructed in the early 1850s, these raftsmen had the most to lose. As The Clinton Democrat put it, log drives and booms were “the cheapest way in which mills can be stocked” and thus were in direct competition with raftsmen. Not only were most raftsmen unemployed by the free-floating log system of the Boom, but those who maintained their jobs had to operate in treacherous waters. Log drives toward the Boom filled the Susquehanna with a “churning mass of logs” that made rafting dangerous (Cox 1980, 350). When logjams developed, rafts were unable to pass at all (Cox 1980). A new, dangerous job emerged: the men who broke up logjams were called jam crackers, and when the water rose in the spring, thousands of waiting logs would be pushed down the mountain streams and into the West Branch, forming huge jams.
Jam crackers would use long poles to extricate the key log, undoing the jam, and leaping out of the way lest they become crushed under an “avalanche of logs” (Williamsport/Lycoming Chamber of Commerce 2002).

Some raftsmen responded to the Boom’s monopolization of the river with sabotage. The most common form of sabotage was to “iron” logs. Raftsmen would drive spikes, horseshoes, or scrap metal into logs until the metal was hidden beneath the bark. When the logs arrived at their respective sawmills, the metal would break or jam the high-speed saws. Eventually, state legislature outlawed ironing logs, and mill operators began to peel their logs, just in case some raftsmen were not deterred by the new laws (Cox 1980).

Instead of resorting to sabotage, some raftsmen turned to local government for support. In 1855, they proposed a bill to regulate the number of log drives, but the bill failed and the Susquehanna Boom Company was not deterred (Sandow 2009). Because the Susquehanna Boom Company became incorporated in 1849, it was authorized to erect and maintain a Boom on the West Branch, provided that its construction allowed the safe passage of rafts and boats. As the raftsmen were affected by logs floating toward the Boom, not the Boom itself, the Susquehanna Boom Company was not penalized.

In 1857, the raftsmen reacted to their losses by backing a potential competitor to the Susquehanna Boom Company. But the failure of the 1855 bill, which would have allowed the Sunbury Lumber Company to construct its own boom elsewhere on the West Branch, prevented a second Boom (Sandow 2009). If the Susquehanna was a public highway, and Perkins had been allowed to construct his Boom, then raftsmen believed that the only reason to deny a second Boom was to support the the Susquehanna Boom Company’s monopoly. From the perspective of the raftsmen, the local government had become corrupt due to the special interest actions of the
company. In this way, local politicians forbade the economic adjustment that could have restored jobs to hundreds of unemployed raftsmen. Unfortunately, in their battle against local government favoring special interests, the raftsmen won very few successes. Among these were bills preventing obstructions on smaller streams (Sandow 2009).

The tension between business and government became clear in Williamsport during the 1850s. The Susquehanna Boom Company, while it had brought wealth to the town, became a monopoly backed by local government. Other special interest groups—especially, the raftsmen and the Sunbury Lumber Company—attempted to break up this monopoly, but encountered a barrier to entry in local government regulation. The institutional environment that had incentivized Perkins to build his Boom was gone, and entrepreneurs were no longer able to compete on the market, as Perkins had with the raftsmen, but were incentivized to compete through government intervention instead. While raftsmen fought with local government for their entrepreneurial rights, the Boom broke, and without a reasonable alternative, the millionaire lumber barons left to build up other small towns out West (Stranahan 1993). If the institutional environment had encouraged innovation (especially innovation that allowed for other industries to prosper) instead of sabotage and lobbying, perhaps Williamsport’s story would be different.

IV. The Fracking Boom

For most of the twentieth century, Williamsport was a calm town. It became the Little League Capital of the world and hosted the championship every year. But population was stagnant, and the majority of those who earned college degrees left the town after graduation to settle elsewhere (Bui 2016).
In 2007, oil and gas companies discovered large deposits of natural gas, in the form of Marcellus Shale, beneath residents’ property (Detrow 2010). Soon after, transient, out-of-state workers rushed to the small town, increasing its population and boosting its economy once again. The Williamsport Holiday Inn Express saw a 30 percent increase in guests between 2010 and 2011, and Williamsport’s Pennsylvania College of Technology quickly shifted its curriculum to focus on drilling-related skills (Detrow 2010). Around 2010, the wait for a seat in a heavy machinery class was over one year long (Detrow 2010).

By 2011, Lycoming County was ranked fifth in all of Pennsylvania for natural gas extraction. With 832 active wells, the county had approximately one well in every 1.5 square miles (Amico et al. 2011). By 2015, rent in Williamsport had skyrocketed (Cusick 2015). To accommodate the influx of people, the U.S. Department of Commerce invested $2.7 million to upgrade Williamsport’s water and sewage systems (Department of Public Affairs 2015). In 2016, the U.S. Department of Commerce ranked Williamsport the seventh-fastest growing metropolitan area and attributed the growth to Marcellus Shale (Department of Public Affairs 2015).

Individuals in Williamsport charge oil and gas companies for the right to drill on their land. The installation of these hydraulically-fractured wells has been a source of income for residents since 2008. However, as of 2014, the number of wells has stagnated. Instead of having to locate and drill in new shale formations, oil and gas companies have found ways to get more out of their existing wells (Institute for Energy Research 2014). Production is still increasing. In 2013, it was up to three billion barrels per day compared to fewer than one billion in 2010, but the number of drilling rigs has remained essentially constant.
To overcome the inevitable decline of natural gas supply, Williamsport residents have a few options. On an individual level, they may get more involved in the fracking boom. As land owners, they own the right to drill on their land, which may only be sold a few times. However, if they shift their relationship with oil and gas companies, they may adjust their comparative advantage. For example, they could invest in an education that is valuable to the oil and gas companies. As Acemoglu (1998) shows, a high proportion of skilled workers in the labor force implies market demand for technologies that compliment these skills. This demand encourages faster upgrading of the productivity of skilled workers. If Williamsport can begin to produce skilled workers, growth may remain in the town longer than if it continues to produce relatively unskilled workers.

There is a possibility that Williamsport will thrive after this boom without any help. The median age of Williamsport residents is 30.4, which is 10.2 years below the median age of residents in Pennsylvania (City Data 2016). The young people of Lycoming are revitalizing the downtown Williamsport area. They are purchasing abandoned buildings and transforming them into coffee shops, bars, and live music venues. In the last ten years, the number of accommodation and food service businesses per capita in Lycoming County has increased by 16 percent. Compare this to the whole of Pennsylvania, where the increase per capita is only 7 percent (County Business Patterns 2014; US Census Bureau 2015). As these young people open businesses, frequent businesses, and build their online business presence, Williamsport will continue to grow.
V. Policy Implications

The prosperity brought by the fracking boom can persist when the boom ends if Williamsport is able to shift and diversify its exports over time. For now, the town is exporting natural gas. But if the legal and regulatory institutions can manage to encourage young entrepreneurs to open businesses, Williamsport can become an exporter of tourism, and its population can grow once again. In order to encourage entrepreneurship, they must be allowed to open and operate their businesses with few barriers to entry and regulatory costs. Clearing red tape allows new industry to settle in Williamsport—industry that may not be identifiable now, but which may diversify the area.

In the absence of government-imposed restrictions, the institutions that promote the awareness of and ability to act upon profit opportunities are the best for promoting entrepreneurship (Boettke and Coyne 2003). Williamsport will be able to maintain growth after the fracking boom if the entrepreneurs of the town are allowed to continue starting businesses and building a community.

However, just as I am hesitant to attribute Williamsport’s growth in the late 1800s to Perkins alone, so am I hesitant to attribute its current growth to the person who discovered the natural gas deposits or the young entrepreneurs opening hospitality businesses. Instead, I acknowledge that this productive entrepreneurship is the result of Williamsport doing something right. Though it may not be clear what exactly this “something” is, the fact that productive entrepreneurship is emerging in Williamsport shows that Williamsport is doing something right. If local government continues to allow Williamsport’s portfolio to diversify and refuses to engage with rent-seeking behavior, the town will experience long-term growth. Concretely, this means standing strong against hotel or taxi lobbies designed to undermine innovations in
hospitality like AirBnB or Uber. But it also means not praising these innovations so much that they become government-backed monopolies, like the Boom once was.

Williamsport, in many ways, represents all boom towns. Policymakers in charge of enforcing the rules of the game must discourage protectionist policies, unproductive entrepreneurship, and the creation of regulatory barriers to entry. Without these barriers, productive entrepreneurs will be able to innovate and draw wealth into the town.

The lesson for policymakers is to consider restraint from pursuing policies that favor some companies over others. For policymakers, this can be counterintuitive. Many people enter public office with a vision of changing the community, of taking initiative to create jobs and boosting the economy. Even the most well-meaning policymakers can misread their place in the community. Williamsport entered a dangerous spiral when the same institutional environment that successfully incentivized Perkins shifted. Local government focused on protecting Perkins’ businesses instead of maintaining an atmosphere of innovation in which new types of businesses could emerge. In effect, policymakers fall into the trap of choosing winners and losers rather than leveling the playing field for competition.

Innovation may occur as “perception opportunity” when an entrepreneur identifies an unmet need. This kind of entrepreneurship can flourish relatively painlessly, without much damage to existing businesses (Kirzner 1979). For example, a landlord practices perception opportunity when he rents out his basement in a college town. For a policymaker to deny the development of this brand of entrepreneurship requires the utmost hubris. But, innovation can also occur as “creative destruction,” when an entrepreneur identifies a better way to meet needs. This kind of entrepreneurship, like a controlled burn, results in the obsolescence of existing technologies so that different technologies can take their place (Schumpeter 1942). Creative
destruction is happening constantly as a result of the competitive market process. For example, the invention of the Compact Disc supplanted the Floppy Disc, just as the invention of agriculture replaced a nomadic way of life for early man. Creative destruction is the result of individuals choosing one product over another. The success of one innovation and the “destruction” of another is the result of individual choice, and should remain so. A humble policymaker will not dictate this process.

Instead, policymakers should allow successes and failures to be chosen by consumers engaged in the market process. This allows for competition and entrepreneurship. Because local policymakers can have a disproportionately large effect on their immediate institutional environment by encouraging productive entrepreneurship, humility is critical in order to ensure individual prosperity and economic opportunity in towns like Williamsport.
References


County Business Patterns. 2014. “North American Industry Classification System.”


Appendix

Figure 1: MAP OF WILLIAMSPORT, 1917

Figure 2: TIMELINE OF THE LUMBER BOOM

https://www.lib.utexas.edu/maps/pennsylvania.html
Figure 3: THE SUSQUEHANNA BOOM

https://en.wikipedia.org/wiki/Susquehanna_Boom

Figure 4: LOGS BEING HELD IN THE BOOM

http://news.sportslogos.net/2016/02/20/logging-on-the-story-behind-the-williamsport-crosscutters/