

LUNCHEON ADDRESSES

Dynamic and Economic Forces Influencing Forest Land Use and Management*



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Man's needs, his abilities, his attitudes and philosophies, the societies in which he lives, and the economic availability of the various resources are constantly changing. As a result, the relationship between man and resources is dynamic. History has shown that the amount and type of resources available to man when related to time is a variable.

The above mentioned well known fact can be illustrated by citing many examples at any time in history. For example, wood was not too many years ago an important source of heat and energy. More recently, coal, oil, gas, and electricity have, to a large degree, replaced wood. It is in the realm of possibility that atomic energy obtained from what was once considered a worthless rock, or even solar energy, will replace some or all of the latter group. Wilderness areas in the United States posed no problems 200 years ago. It is perfectly obvious that we cannot make the same statement today. A few years ago the management of the Inland Empire forests was largely conditioned by the fact that we hoped to perpetuate the white pine. However, because of changes in demand, technological trends, the development of new products, changes in the organization of industry, and because of many other factors, emphasis in management now favors the inclusion of other species. A few years ago outdoor recreation created no problems of serious consequence. Now, and particularly in some places, outdoor recreation looms large, creating problems that need attention. With a rapidly increasing population, more leisure time, higher standards of living, more and more people will be demanding outdoor recreational opportunities and facilities.

Water, the largest share of which comes from the forested mountains, was not considered a critical problem a few years ago. Today in the West it is

* This address was presented on April 11, 1961, at the joint luncheon with the Spokane Chamber of Commerce.

generally conceded that water can and will be an important limiting factor to progress.

The above examples illustrate the point that resources, particularly when related to man's wants and abilities, are extremely dynamic. Some resources which were once very important are no longer of importance. Others, such as sources of atomic energy, which were of no significance a few years ago, are now influencing national and international policies.

This concept must be kept in mind when developing and renewing forest policies and management plans. What was once considered to be a desirable policy may no longer be so today. Furthermore, what appears to be a desirable policy today may not be tomorrow. Because we have not recognized the influence of dynamics, we have, I believe, unjustly blamed our forefathers for exercising poor judgment in the use of resources. Certainly the so-called "lumber baron," "land grabber" and "speculator" is not held in high esteem in the minds of many people. Yet, if one will examine the circumstances surrounding the time, their actions, although not necessarily condoned, become much more understandable. Our children will probably have somewhat the same opinion of us as we have had of our forefathers.

Changes in resource management and use must be accepted in order to assure the greatest good to the greatest number over time. A stroke of the pen, be it on legislation, on a proclamation, or just propaganda cannot settle issues for all time. Many people feel, and with full justification in their own minds, that because of the current need for wilderness, legislation currently before congress should be passed. Others, recognizing the changing nature of the vegetation on these areas and the changing nature of man's abilities and wants, question the need for such a decision by this generation. This latter group further questions the idea of restricting use by legislative action which may prevent the orderly development of these areas for the good of all people.

There are many influencing factors and methods used in adjusting policies and management practices to meet the needs of changing times. In the short time that I have available I can mention a few and discuss one. They are: (1) technological forces; (2) social philosophies, as expressed through pressure group techniques; (3) governmental influences, including legislation; (4) education; (5) economic forces; (6) and such direct methods as regulation, public ownership, zoning, compensation, and subsidies. Most of us appreciate the impact on conservation of technological changes, the influence of pressure groups, the significance of public ownership and the needs for conservation education. Further, most of us have had experiences with regulatory actions of one type or another, with zoning and subsidies. On the other hand, many of us do not fully understand the importance of economic forces and how they can encourage or discourage the development of stable forest industries and good forest management.

For this reason I wish to spend some time discussing this subject. In a capitalistic society economics can encourage or discourage investments in industry and in land practices which are essential in maintaining the resource base for this industry. It is my firm belief that if we understood more fully how economics operates in our society, much more could be done to cause these forces to operate more adequately as constructive tools of conservation. I recognize the place of governmental action as well as economic forces. However, it is my belief that too often we turn to government without first analyzing what is wrong with the economic system and correcting it to the degree that is possible. In the past when the population was small in comparison to the

forest resource, economic forces dictated policies of liquidation. Then, production conversion costs had to be covered with a profit, but it was impossible to exact prices which were sufficiently high to cover also the cost of forest management. Today, however, when the relationship between resources and needs are more in balance the picture has changed to a large degree. Currently economic forces, primarily because of increased prices due to relative scarcity of raw materials, are dictating policies of sustained yield rather than liquidation to a much larger degree than formerly. Yet this trend is not assured without effort. The public and the legislators can do much to encourage or discourage this trend. If we wish to perpetuate the system of private enterprise, it is essential to guarantee prices in relation to costs which will assure profits not only in conversion but in timber production as well. I do not wish to imply that economics alone can solve all the problems of the lumber industry and of timber growing but I am convinced that they can with proper understanding do much to give such assurance.

I wish now to discuss the economic considerations over which public action can have an influence. First: in the Inland Empire if we wish to assure the perpetuation of one of our most important industries, we have to be particularly cognizant of these forces and do everything possible to encourage the industry and good forest management. This particular emphasis is necessary because of the unfavorable location of the Inland Empire in regard to the large eastern wood products markets. This comparative disadvantage is caused by the higher railroad transportation costs as compared to the lower water transportation costs from states of the Pacific Northwest and the much lower rail cost from the southeastern states. A more favorable rate structure along with the progressive and stable development of the Inland Empire, including the availability of cheap power, the development of home markets and the encouragement of other industries can do much to reduce this comparative disadvantage.

Second: the ownership of forest and range lands is divided between private and public. In the United States this is usual in forestry but not in other industries. Such a situation creates unique problems which need careful attention. It is necessary to construct a policy which will assure: (a) the orderly development of local, state and regional communities; (b) the encouragement of the forest products industries which utilize the products from public lands and (c) the provision for adequate policy for the use and management of these public lands. These unique problems of public ownership can be solved, yet it will not be done automatically. Some people believe that because of the long time involved to grow a forest crop and because of the great number of non-commercial values involved, government ownership of forest land is the only solution. I would be the first to recognize that in many places and under many circumstances that such is the case. On the other hand, I am convinced that private enterprise can and is assuring the orderly development of forest land resources in much the same manner as is being done on public lands.

Third: in order to assure the maximum flow of benefits from private and public lands, including wood products, grazing, recreation, wildlife, and water, costs are involved. Too often the total cost of developing forest areas, including road construction, fire protection, disease and insect control and many others, has been borne by the commercial products rather than by all products, including non-commercial. For example, out-door recreation, a very important aspect of forest use, in my estimation has not borne the cost in the development of most forest areas that its importance justifies. Some people even feel that recreation does not involve costs. This, however, is not the case, because in order to provide for recreation needs the special costs of road building, road

maintenance, fire protection, camp facilities and many others are necessary. The time is not far off when the recreationists will have to pay their share of these costs. Although we do not have specific studies on the actual cost of putting out fires and the damage created by them, it is a known fact that recreationists and sportsmen do cause them and this cost could approach many dollars per visit. This cost is paid by the general public and not by the offenders.

I am not attempting to discourage the development of the forests for recreation and wildlife. My only purpose in bringing this to your attention is to point out that such benefits are not acquired without costs. In the development of these areas too much of the cost has been borne by the commercial values with the result that forest growing is becoming so expensive as to be discouraged.

It must be remembered that any action taken by society which forces on private enterprise costs which are not reflected in higher price, will have one of the following effects: (1) depending on conditions, these costs may be pushed back on stumpage, thus lowering the price to a point where timber growing in the economic sense is impossible, (2) depending upon the elasticity of demand for stumpage and for manufactured products, the costs may reduce profits which may discourage investment in forest conservation, and encourage liquidation; (3) these costs can be moved forward to the consumer in terms of higher prices. This can only be done, however, where the intensity of the demand will permit it. The best way to pay for conservation practices is to obtain a price which is sufficiently high to not only pay for the cost of conversion (which has generally been the case in the past) but also which leaves something to put back in the land. Where this cannot be done in the long run private forest industry is impossible without subsidation or public ownership becomes the only solution.

Fourth: another problem involving economic consideration has to do with the stability of the lumber industry. Until recently it was a relatively unstable industry. It was, and still is, tremendously sensitive to business trends and conditions. One of the reasons for its instability has been its migratory nature. Another reason is the elasticity of the demand for the product. Another is the fact that timber growing is a long-time proposition. In spite of this long time, however, the time of harvest can be pushed forward or backward many years, and in some cases decades. Nature does not, as with wheat for example, dictate a time of harvest which varies but a few days. Time of harvest in the forest industry is determined by economic calculations rather than by nature. At all times, particularly after the first few years in the life of a forest stand, it becomes necessary to determine if more money should be spent on administration, protection, etc. and delay harvest or vice versa. The instability results in many cases because factors other than economics can cause individuals to liquidate even though calculation indicates that it is economically sound not to do so. Some of these factors are: governmental actions of one type or another-- for example regulation, the adverse influence of pressure groups when their ideas are not compatible with timber production, the threat of increased taxes, the threat of inflation and high interest rates, and many others. These factors have an impact on all industries. However, because of the long-term nature of the crop, they are more serious for the lumber industry than for most industries.

Much can be done to reduce the adverse effects of the influences mentioned above, and thus make calculations more precise and meaningful in terms of constructive action. Some other things that are being done are:

(a) Through research new products are being developed which will permit the use of species and portions of the tree formerly not used. In so doing costs are spread over a much wider resource base.

(b) The integration and diversification of the industry as at Lewiston, Idaho, makes possible economies of production and forest management that are not possible without such.

(c) More adequate protection from fire, insects and disease has reduced risks and thus encouraged investment in forests.

(d) The gradual improvement in industry-public relations assures more constructive action and as a result will lead to better understanding of such problems as taxes, transportation rates, credit, insurance and market development. As these conditions improve, investments in good management become less risky and will be done to an increasing degree.

Fifth: before closing I wish to discuss briefly the importance of rights in property and the influence that this has on conservation investments. A deed to a piece of property at one time in history may have a completely different meaning at some other time. It does not take too much imagination to recognize that a deed to farm property today is different than it was 200 years ago. It may be more valuable or less valuable depending upon the viewpoint taken. However, and particularly with a long-term crop like forestry, anything that shifts the right from the individual to the public tends to destroy confidence in personal investments in conservation. Under such conditions, resources may or may not be developed depending upon basic philosophy and the willingness of government and private owners to work together in solving the problems. It is only natural as societies become more mature they become more complicated. This in many cases requires government action. The need for such action can be minimized if we have faith in private enterprise and do everything to make it operate through economic forces without unnecessary interference.

Another situation which causes loss of property rights, and this is particularly true with forest lands, is where through legislation or through public pressures an owner is forced to manage his lands in such a way as to meet public needs. In some cases good forest management and public needs are compatible. In others, the owner must provide for these public values at a cost to himself wherein the public and not the owner are the recipients of the benefits. A particular silvicultural practice or logging method may be the best from the standpoint of forest products production, but may not be compatible with maximum production of forage for wildlife, recreational values, or water production. In these cases the owner is not willing nor is he obligated, to assume added costs unless they are reasonably compatible with maximizing profits.

In some European countries the owner is compensated for added costs which are necessary to provide for public values. This could be done in this country, for example, where it can be determined that to provide for wildlife habitat improvement the owner must assume added costs from which he receives no benefits. In any case, this subject should receive much greater study and consideration.

In summary, I hope that I have left the thought that economic forces can be made to work more favorably if we but recognize their importance and significance. This in spite of the fact that our society is becoming more complicated which usually requires more governmental action. It is also more dynamic, which requires constant and in many cases, rapid changes in plans and estimates. Let us hope that we can, through better understanding, encourage the continuation of free enterprise and the institutions of private property, and depend upon welfare state actions only where necessary and after thorough study of the problems.